Price 1/6

MAY, 1953

ECONOMIC DIGEST

CONTENTS

Published monthly in London by the

ECONOMIC RESEARCH COUNCIL

ECONOMIC DIGEST

MAY, 1953 VOLUME VI NUMBER FIVE

Royal Patronage of Industry and Craftsmen

BY JOHN DRABBLE, O.B.E.
Editor, Board of Trade Journal

ROYAL patronage through the ages has been concerned with safeguarding and encouraging all that is best in Britain's goods and services.

This has been achieved by the granting of letters patent or charters to Trade Guilds and their successors, the Livery Companies, by Warrants of Appointment to the Royal Household, by personal interest in different crafts and industries and by orders for particular good and services.

Guilds and Craft Companies

From the 12th century onwards Royal Charters have been granted to the trade and craft guilds of the City of London. Although this formal link with Royalty primarily allowed the various guilds to preserve themselves as corporate bodies and legal entities, many of the guilds have for more than 600 years been honoured by including a Sovereign or other member of the Royal Household among their members; since the time of Edward III, who, tradition asserts, was the first Sovereign to belong to the Merchant Taylors' Company, nearly all the Kings of England have been members of one or more of the Companies. With the passage of time members, or 'Freemen' as they came to be called, wore a distinctive dress or livery, and the guilds were known as Livery Companies. The companies were not confined to the City of London; they formed an essential part of the commercial life of the principal cities both in the provinces and in Scotland.

Royal interest in a company was shown by the granting of a charter which gave the ordinances of the company legal sanction. One of the most important aspects of the companies' control of trade through ordinances was the maintenance of a good standard of workmanship and quality.

Maintaining High Standards

In records of the companies it is not unusual to find instances of tradesmen being brought before the Mayor or Aldermen of the City of London for producing poor quality goods. A baker who gave short weight or inferior quality bread was hauled to the pillory and made to stand there until vespers with the offending dough hung round his neck. Thus from being voluntary bodies in origin the companies achieved statutory authority by

From Board of Trade Journal, London, March 21, 1953

Royal decree. The Master, Wardens and Court of Assistants formed an executive body of each company and it was their duty to search the premises of their Freemen for shoddy goods and to ensure that standards of quality were maintained and other requirements carried out.

With the expansion of trade in Tudor times the powers of the companies waned, although in theory wholesale and retail trade in the City of London was restricted to Freemen of the Livery Companies until the early part of the last century. Today methods more suited to the times ensure standards of quality—such as those evolved by the British Standards Institution in consultation with the Board of Trade and trade interests concerned—but the tradition of craftsmanship enjoyed by British products is the direct result of the standards laid down by the Trade Guilds and Livery Companies and maintained throughout the centuries.

Among the 82 London guilds existing today are those of the Bakers, the Butchers, Armourers and Brasiers, Blacksmiths, Drapers, Mercers (from which may be said to have emerged the Company of Merchant Adventurers), Weavers, Woolmen, Goldsmiths, Cutlers, Grocers, Leathersellers, Carpenters, Joiners, Coachmakers, Curriers, Haberdashers, Cordwainers and many others who have received Royal Charters and built up and maintained British craftsmanship.

Queen Elizabeth II—Draper

Royal patronage of the Livery Companies is not a memory of bygone days. The Queen, when Princess Elizabeth, became a Freewoman of the Drapers' Company by patrimony in 1947 on reaching the age of 21. It is a tradition of the Livery Companies that the son or daughter of a Freeman may be admitted on attaining his or her majority, provided the parent was a Freeman when the child was born. King George VI had this necessary qualification. The Queen is also patron both of the Shipwrights and Master Mariners.

The Drapers' Company received its first charter from Edward III in 1364, although the company is known to have existed before 1180. The honour of owning the first known Royal Charter granted to a company goes to the Weavers. They are first mentioned in the Pipe Roll of 1130 now in the Public Record Office in Chancery Lane, London, and their first charter dates back to 1155, in the reign of Henry II.

Hall Marking of Gold and Silver

One of the most active of the surviving Livery Companies is the Goldsmiths. A Fraternity or Guild of Goldsmiths is known to have existed before 1180. In 1327 the company was incorporated and letters patent were granted by Edward IV in 1462. Their charter included the privilege and duty of inspecting all the gold and silver work made in England. The Company was to affix a sign or hallmark—the Leopard's head which was the mark of Goldsmiths' Hall—as a guarantee of purity. Marks indicating the name of the maker as a further guarantee were introduced by Statute in 1363. Under statutory authority Goldsmiths' Hall still marks all gold and silver made in London, although other Assay Offices now supervise the quality of plate made in the provinces and affix their own marks.

The 'Trial of the Pyx' of gold coins

produced by the Royal Mint has been conducted by the Goldsmiths of London since 1248. A jury of members is sworn in and charged by the King's Remembrancer and the trial takes place in the company's present hall in Foster Lane, London, E.C.2. The trial is held in March each year, and after the coins have been tested the verdicts are delivered in May to the King's Remembrancer in the presence of the Chancellor of the Exchequer who attends as Master of the Mint. The coins have to be tested for weight against the Board of Trace standard weights and assayed against standard trial plates in the custody of the Board. The Goldsmiths' Company still stands in the position of Patron of the craft from which it originally took its name.

Royal Warrant Holders

And now let us look at another facet of Royal patronage.

Royal Warrant holders were originally tradesmen attached to the Royal Household and to all intents and purposes they were members of the staff. It is not definitely known when the first Royal Warrant was issued to a tradesman who was not attached to the Royal Household, but one of the earliest warrants shown in the Public Record Office is dated 1692. It is an order to one Thomas Herbert, 'Their Majesties' Watchmaker and Clockmaker in Ordinary', who received £185 for 'a large pendulum clock going thirty hours with a chain to be carried with His Majesty's Bedchamber'.

Mention has been made of the grant of letters patent, a form of legal authority or charter granted by Royalty. For example, in 1440 one John of Shiedeme was invited by letters patent to introduce a method of manufacturing salt on a scale hitherto not attempted in this country. Other industries were assisted by the issue of Royal letters patent about this time, but it was in the reign of Queen Elizabeth I that the principles of the patent system were first distinctly enunciated and carried into practice.

Modern inventors may still obtain the right to sole manufacture of their invention for a term of years by 'patenting' their invention; and the form of the grant is still technically that of letters patent established by the first Queen Elizabeth.

The Arts and Crafts

When one turns to Royal Patronage of individual craftsmen and orders for particular goods, one finds examples of skill and workmanship which can only be likened to the paintings of the old masters. One famous craftsman, William Caxton, the first English printer, was likewise the first King's Printer. His duty was to print the King's Statutes and Proclamations. But though this was not for some time regarded as work demanding a high standard of craftsmanship, the other Royal office of the book trade—that of King's Binder—was productive of the highest quality of work. One of the most famous of the early King's Binders was Thomas Berthelet, who was also King's Printer to Henry VIII, and is believed to have introduced gold tooling into this country. There is today, as there has been for centuries, a Royal Binder; and the magnificence of the Royal Libraries bears witness to the care with which successive monarchs have encouraged qualities of good craftsmanship which the binder's art illustrates.

The Coronation Coach

An outstanding example of craftsmanship both old and new is the State Coach in which the Queen will ride in the Coronation procession this year. It was designed by William (later Sir William) Chambers during the reign of George III and built under his supervision, being delivered in 1761. It cost more than £7,000, is 24 feet long and 13 feet high, and is richly ornamented with beautiful gilt carved work. Emblematic and other paintings on the panels and doors were executed by Cipriani, a famous artist of the period. These are works of art on which it would be quite impossible to place a value today. With the passage of time the wood panels became warped and cracked, but in preparation for the Coronation the coach has been thoroughly renovated by William Drown, picture restorer, of New Bond Street, London, and Hooper and Co. (Coachbuilders) Ltd., St James's Street. The old wood has been removed from the back of the pictures which have been transferred to new panels and restored to their original position. Colour and freshness are as unblemished as on the day the work was first completed more than 190 years ago and the whole is a most remarkable example of the skill of both old and modern art and craftsmanship.

Standard Measures and Weights

Going back once more through the pages of history, one finds that the early Kings and Queens of England were among the first to insist on those almost indispensable necessities of a flourishing trade and industry—a standard system of weights and measures, and a stable and acceptable currency. These were constant cares of Sovereigns until Parliament accepted responsibility in more recent times. Duties associated with weights and measures are now carried out by the Board of Trade. The first important ordinance insisting on uniform weights and measures was laid down by King Edgar in the 10th century. 'And let money pass through the King's dominions and let no man refuse it; and let one measure and one weight pass, such as is observed at London and Winchester.' But a single enactment in those early days was not enough, and later Kings and Queens returned to the task. The Normans, the Plantagenets, the Lancastrians and the Yorkists, and the Tudors—in their day the King's Government was the personal responsibility of the Sovereign—each and all contributed to standardisation of measures and of currency.

Care for Woollen Trade

The woollen industry was the premier English industry from the 12th to the 19th century; and our Kings and Queens have constantly sought to encourage and stimulate it. The first English commercial treaty—in the form of a letter from Charlemagne to Offa, King of Mercia, written in 796 A.D.—says 'Our subjects make request concerning the size of the cloaks: that you have them made of the same patterns as used to come to us in old times.'

Edward III in 1331, when the trade was declining, granted letters of protection to John Kempe of Flanders, 'weaver of woollen cloths', and to 'the men, servants and apprentices' whom he was bringing with him to exercise his craft in England: and this led to a great influx of foreign craftsmen who restored the trade to its former high standards.

Spending By U.S. Forces in Britain

Spending by and on behalf of 35,000 U.S. Servicemen in Britain and the families of 9,000 of them amounts to more than $10 million a month.

REMARKABLE spending power is concentrated in the United States military forces stationed in Britain today. Their contingent, scattered over thirty bases, includes approximately 35,000 personnel, mostly airmen, though anti-aircraft units are also embodied, and 9,000 of these officers and men are accompanied by their wives and families.

Monthly now, according to figures supplied by the controlling authority, the Third U.S. Air Force contracts with British firms absorb $2,700,000. The expenditure is accounted for as follows:—

	$
Food	400,000
Petroleum products	200,000
Electrical equipment	20,000
Medical supplies	30,000
Utilities	325,000
Transportation	400,000
Laundry	200,000
Minor maintenance and repairs	925,000
Office supplies	200,000

The outlay on food does not include purchases effected by individuals at local markets.

In addition, services in connection with base exchange stores account for a further $1,375,000 a month, of which $1,225,000 is spent on British-made items sold in exchange stores, and on cost of fixtures, decorations and operating costs, and $150,000 on the wages of U.K. civilian employees engaged in these services. Then $270,000 is allocated to civilian employees of military units, and $5,800,000 represents the monthly conversion of dollar instruments into sterling by U.S. military personnel and their dependants.

The total at stake thus adds up to $10,145,000 a month. So, viewed in bulk, this is, indeed, a lucrative source of hard currency. More difficult, but none the less desirable, is it to measure the impact of this outlay, or fractions of it, upon the small town and village communities situated in the vicinity of U.S. bases. Among them, in many instances, there is a furious, sometimes undignified, scramble for American money with appreciable upheavals upon the economy of the small towns and rural populations concerned.

Impact on Small Town

The Norfolk-Suffolk border town of Brandon, for example, which lies within five miles of one of the U.S.A.F.'s largest air bases in Europe, that at Lakenheath, has a population of close on 3,000. The town itself sustains numerous small industries, employing from 130 to a mere handful of workers, but nearly all, because of highly rewarding employment offered in connection with the base, are embarrassed by a shortage of manpower.

It is not that the base employs

From Financial Times, London, March 19, 1953

more than a few British civilians, and these are paid the same rate as the R.A.F. pays civilian employees. But civilian business close to the base has expanded due to the presence of U.S. Air Force airmen, so that strong competition for labour exists between British businesses servicing the base and the former local industries.

The largest factory in Brandon, specialising in rabbit-fur processing, a traditional craft, is, in fact, forced to recruit labour from outlying villages, maintaining its own private coach runs to secure women operatives to mind its machines. Altogether, a supplementary labour force, comprising from 140 to 160 persons, must be found and transported daily to keep the town's crafts in being.

For many artisans, clerks and humble craftspeople, the base must appear as an El Dorado. Until lately, over 100 taxis were engaged in a fiercely competitive fight, but top price battle, to accommodate the base's servicemen and families. Now, through the local authority's intervention, the number has been restricted to 82. A few taxis, of course, are controlled by local garage proprietors, but such demands are in the main far beyond any normal small town's capacity to supply, and some London taxi drivers do find pine-scented airs a refreshing change from the City's fume-filled streets.

So there exists, often with strong feeling on both sides, an almost breakneck competition between contract firms from London and a local man or two who see in the American soldiers' cab-mindedness an excellent opportunity for expansion.

Ye Olde . . .

The Americans are really keeping some country businesses solvent. Brewery firms would at once feel the loss of their custom. Because of tighter monetary conditions plus rising living costs, receipts in many rural pubs have fallen away in recent months. And taverns, in some towns, would scarcely justify their upkeep were it not for the Americans who patronise their bars.

Antique shops, too, are experiencing a new vitality. Any sort of ancient china ware, flint-lock weapons, horse brasses, brass coal scuttles, warming pans, powder and post horns and other items, genuine or not, but with an 'olde England looke' are in demand. The price paid for them is often outside their true value. Pairs of flintlock pistols, priced at two to three guineas in 1950, fetch 20 and 30 guineas a pair now, some to be converted, back home in the States, into electric light holders, and the collector's price for pistols, G.I. stimulated, is still rising.

Wine and spirit dealers, even village barbers, if they trouble to learn the American-style hair cut and get a base contract, are also in the money. More than one small-town photographer, formerly dependent on haphazard Press work, has seen his business emerge from a dingy backroom to a fully equipped modern studio, receptionist staffed and with one or two technical assistants, thanks to 'base' custom. Men with any sort of initiative are well rewarded.

Outlook for Britain's Imports

BY PROFESSOR AUSTIN ROBINSON (CAMBRIDGE)

WHAT Britain desperately needs is a structure of dependence on foreign trade that will not collapse whenever conditions become in the slightest degree adverse. It is important, therefore, to begin by asking what we can hope to earn by our exports and the other services that we can sell to foreigners.

In 1938, as in many other years of the 1930's, we were not properly in balance. The sources from which we were financing our imports in 1938 were as follows: Exports 56 per cent; Re-Exports 8 per cent; Net Invisible Earnings 28 per cent; Current Account deficit 8 per cent.

One important point is immediately evident. If in 1938, with all else constant, we had had (as we are now very rightly seeking to have) a surplus equivalent to 4 per cent of our then imports rather than a deficit equivalent to 8 per cent, we could have paid for only about 88 per cent of our 1938 imports.

Since the war we have made great efforts to increase our exports and to balance our payments. By 1951 the volume of our exports was about 179 per cent of that of 1938, or about 158 per cent of that of 1937, a substantially better year for world trade. But in recent months the index of the volume of exports had been sagging and we have become increasingly aware of German and Japanese competition. If we are to judge the future, it has become very important to engage in some stocktaking of our achievements in the last few years and of the conditions in which we have thus far exceeded in expanding our exports.

'We (in Britain) have ahead of us a period during which it will be extremely difficult to maintain the level of imports which, with a great deal of external aid, we have secured since the war. Our urgent task is to solve the problem of adapting our whole economy to the uncomfortable fact.'

World Trade and U.K. Share

The expansion of British exports has in the main been an expansion of manufactured exports; they now form about 88 per cent of all exports. Indeed some of our other exports, notably coal, have declined as compared with pre-war years. Our success or failure will turn on two things: on the size of the world markets for manufactured exports and on the share of them that we can succeed in securing.

If I am to try to judge the level of world export trade in manufactures for the next five to ten years, my own guess is that it will be somewhere about 140-150 per cent of 1937 if conditions are good, and appreciably less if conditions are bad.

For what share in such a total can we reasonably hope? The answer turns mainly on two things: the future of United States exports of manufactures, and the future of Germany and Japan.

The very high share of the United States in 1951 and the first half of

From The Future of British Imports, Three Banks Review, London, Glasgow and Manchester, March, 1953

1952 was associated both with the belated effects of terms of trade very favourable to primary producers and with a large deficit of the rest of the world as against the dollar, only partly balanced by various forms of aid, of a temporary character, given by the United States to European and other countries.

We have to assume that the deficits will be made to disappear and that terms will probably be less favourable to primary producers. A return to a share of about 23 per cent for the United States might be just consistent with a dollar balance achieved at a fairly high level of trade, but I believe that longer-run balance may require that the United States share shall be in the range of 20-22 per cent. That would probably represent a fall of something like 40 per cent below the United States exports of manufactures in 1951. Some part of that has been the inevitable end of the spending spree. Some part United States exporters will not lightly relinquish.

It is greatly to be hoped that the United Kingdom may be able to recover a share as high as 20 per cent. But I feel very far from certain that we shall succeed, and it will need great efforts even to keep it as high as the pre-war 19 per cent. Our share was about 26 per cent in 1913 and has been progressively declining since the 1880's.

If one believes that, as compared with 1937, there has been a long-term increase in the United States share, and that Germany and Japan will recover to the extent that their loss is less than the United States gain, one must ask at whose expense that gain will prove to have been made. There would be plenty of justification for the view that we shall probably not hold permanently even the share that we enjoyed in 1937.

How it may work out

To assist thought, rather than with any foolhardy desire to attempt prediction, I have shown below two alternative conceivable divi-

Shares of Chief Exporters in World Exports of Manufactures

	1937	1948	1949	1950	1951	1952 (1st half)	1952 (3rd qtr.)	1955-60 (a)	1955-60 (b)
United Kingdom	19.1	21.7	22.5	23.3	20.2	19.6	18.4	17.5	22.0
United States	16.6	32.3	29.2	22.9	26.1	28.2	27.2	21.5	20.0
West Germany	13.3	1.3	2.7	6.7	8.0	8.1	9.6	12.0	11.0
France	5.4	6.3	7.7	8.3	8.2	7.3	7.2	7.0	6.5
Japan	6.1	0.3	0.7	1.1	0.9	0.9	0.9	4.0	3.5
Canada	4.2	5.9	5.1	4.9	4.5	4.8	5.4	5.5	5.0
Belgium	5.0	3.3	3.2	3.2	3.3	3.1	2.8	3.3	3.1
Sweden	2.1	1.8	2.0	2.2	1.9	1.6	1.7	2.2	2.1
Switzerland	2.4	2.3	2.2	2.2	2.2	2.0	2.4	2.2	2.1
Italy	3.1	2.2	2.3	2.5	2.2	1.9	1.8	2.3	2.2
Others (assumed)	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5	22.5
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

sions of the possible exports of 1955-60. What I hope that those figures may indicate is the extreme difficulty of making at all reasonable estimates of possible shares for other nations that may be consistent with a share of 22 per cent for ourselves [column (*b*)]. What seem to be more reasonable estimates of the shares of others can easily lead to a very pessimistic estimate of our own share [column (*a*)].

It is important to remember that the greater part of the world trade in manufactures is conducted by these relatively few nations. In 1951, roughly two-thirds was in the hands of the United Kingdom, the United States, Canada, Western Germany and France, and probably more than three-quarters was in the hands of the ten countries listed.

If we take measures, through altering exchange rates or otherwise, designed to cheapen our exports, there are two distinguishable effects. First, we substitute our exports for other exports; second, we substitute our exports for the home production of possible importers.

If we concern ourselves with the first of these effects, it is important further to distinguish substitution of our exports for those of countries which will and those of countries which will not be in future forced into balance of payments difficulties. We may be able to substitute for United States or Canadian manufactures without gravely damaging effects to their economies. But if we substitute our exports on any large scale for those of Germany, France, Japan or indeed most of the others listed, we shall almost certainly cause repercussions, leading them to countervailing measures to restore their shares. A calculation of the longer-term elasticities must take these fuller repercussions into account.

Two Big Issues

I believe, therefore, that the big issues are, first, whether we can succeed in substituting British and other European exports for those of the United States, so that the United States share falls backwards, though almost certainly not to its pre-war level. Second, whether we can succeed in expanding the exchange of manufactured exports for primary products, and thus substituting our exports for the home production of some of the present primary producers.

I think we can regard the probable range within which the United Kingdom share is likely to lie as being between 17 and 22 per cent, and the range of probable volume of world trade in manufactures as lying between 135 and 170 per cent of 1937 world trade in conditions of reasonable prosperity, and much nearer to the lower of these figures if trade shows any significant recession.

My own view is that a volume of United Kingdom manufactured exports of the order of 150 per cent of 1937 (equivalent to 170 per cent of 1938) is the most reasonable working assumption. This is appreciably more than the level of recent months, which has been about 150-160 per cent of 1938. I believe that we shall only get a higher share than 20 per cent in a world in which the volume is considerably restricted, because United States liberalisation has not gone so far as to make anything approaching 1951 levels of exports consistent with a dollar balance. Conversely, I believe that we shall only get a high volume of world trade in a world in which, for the

opposite reason, our share is reduced.

On reasonable assumptions of exports other than manufactures, a volume index of 150 per cent for manufactured exports would give a volume index of total exports 136 per cent of 1937 (equivalent to 154 per cent of 1938).

What level of imports would that allow us to finance? In 1938 we paid for only 56 per cent of our total imports (f.o.b.) with visible exports. The comparable volume which we can hope to finance with 154 per cent of our 1938 exports depends on the terms of trade. At present these are such that 154 per cent of 1938 exports would buy only 118 per cent of the comparable 1938 volume of imports; since 56 per cent of 1938 total imports were paid for by exports, our assumed increase of exports would suffice, at present terms of trade, to buy 66 per cent of our total 1938 imports. If we are prepared to assume that the terms of trade will revert to those of 1950, the figure would become 68 per cent. But, as has been emphasised earlier, favourable movements of the volume of exports are in part at least associated with and offset by unfavourable movements of terms of trade.

What other earnings may we expect? In terms of pre-war purchasing power, our present re-exports are a little under half of those of 1937. Our net invisible earnings during the first half of 1952 were sufficient to cover about 10 per cent of our total 1938 imports. While we may hope for an improvement, I doubt whether we can assume that in the near future they will pay for more than about 12 per cent of our total 1938 imports; they reached 15 per cent in 1950, when high commodity prices made our foreign earnings high as well as our import costs, but apart from that year have in all recent periods been in the neighbourhood of 10 per cent.

'Very Improbable' indeed

Only in a substantially different set-up from that which now exists are we likely to be able to finance much more than four-fifths of our pre-war total imports. I have tried to calculate what are the conditions in which we might hope to finance the full 1938 volume.

If we assume that the surplus indicated is required (and we desperately need it not only to finance overseas development but also to replenish reserves), if we assume the rather better re-exports earnings also indicated, and if we regard net invisible earnings sufficient to finance 15 per cent of 1938 imports as the upper limit of our credulity (it exceeds my own), then our export earnings would have to cover 85 per cent of total 1938 imports. With the terms of trade of 1950 (appreciably more favourable than the present) we should require total exports 191 per cent of those of 1938, with a component of manufactured exports of the order of 217 per cent of 1938, or about 192 per cent of 1937.

This we could reach only by securing a 21½ per cent share of a world volume of manufactured exports as great as that of 1951 or some similar combination. I would regard that as very remotely improbable during the next five or ten years.

ECONOMIC COMMISSION FOR EUROPE SURVEYS:

(1) Problems and Prospects of West Europe

GIVEN the special importance to western Europe of increasing primary production in other areas, the possibility could be considered for uniting private capital from western Europe with the greater resources available from the United States in joint ventures under which the former would bear the top risks or underwrite the loan funds obtained.

Agriculture: The physical possibilities of higher agricultural output in most European countries, and particularly in the poor ones, are very great. Southern Europe has a greater density of agricultural population and a lower output, not only per man but also per hectare of arable land, than in other European areas. In this area, nearly one-half the European agricultural population, tilling 40 per cent of its arable land, produces only 25 per cent of Europe's total agricultural output.

Large differences between countries in agricultural production and consumption levels and prospects all point to two major conclusions:

(a) Full utilisation of existing possibilities depends, to an important extent, on development of intra-European trade in food. The large differences in the density of agricultural population in European countries is evidence of the need for a higher degree of international specialisation on more or less labour-intensive products such as expensive vegetables, fruit, wine and tobacco. By contrast, nearly all western European countries have grain deficits which are often very considerable.

(b) The long-term solution of the problems of European agriculture is to be found outside agriculture in an expansion of industry. Only a large-scale transfer, not only of wage-earners, but of millions of small-holders to industry can pave the way to the radical transformation and rationalisation of European agriculture, which is necessary to raise the living standards of the European population. Such a transformation is badly needed not only in southern Europe but on the whole European Continent.

While the goal in highly industrialised countries should be further mechanisation, both in agriculture and in industry, the goal of over-populated countries in southern and eastern Europe should be an expansion of employment in industry hand-in-hand with an increase in total food production, the Survey insists.

Manpower: Population trends over the next decade point to further widening of the gap in economic development between southern and northern Europe. In southern Europe the rate of increase of population of working ages will diminish only slightly. The industrial expansion required to eliminate open and concealed unemployment in southern Europe, or even to prevent it from growing further, is far beyond what these countries would be able to finance unaided without using methods as severe as those employed in eastern Europe.

From Economic Survey of Europe Since the War, E.C.E., Geneva, March 5, 1953

Textile Industry: Textiles must again be regarded as a declining industry. An assessment of future demand for western Europe's textile products, both in Europe and overseas, suggests there is no reason to suppose that the long-term trend towards contraction will be halted. It is perhaps not unreasonable to assume a fall in world trade in cotton and rayon goods of about 10 per cent over the next decade, and it might be unwise to count on Europe's gaining any major compensation in the shrinking Latin-American market for losses in the great markets of Asia and Africa. Prospects for Europe's wool textile exports seem less unfavourable than those for cotton and rayon, but even here the exports which Europe secured in 1951 might be regarded as a maximum not to be exceeded in the near future.

Heavy Industries: Compared with the development of coal, steel and electricity production in the United States and the Soviet Union in the last four decades, the performance of Europe is far from impressive. Targets have been set for a further expansion of steel and energy production in western Europe, but these targets are much less ambitious than in eastern Europe. Both past investment and future plans reflect strong tendencies to autarky in the basic industries of western Europe, and it remains to be seen how far the European Coal and Steel Community, which now embraces all major steel producers, will be able to reverse this trend.

Any plans for expansion of the western European economy need to take into account that engineering and steel production will have to expand at a faster rate than the home demand for these products, which in turn must rise at a faster rate than that envisaged for the national income. In view of the relatively high dependence of the western European economy on foreign trade, too low a target set for steel and energy production means planning for a depression or at least a stagnation of European production unless Europe is once more to be made dependent on dollar imports of commodities which could relatively easily be produced at home.

The further expansion of steel, coal and electricity production in western Europe is not limited by physical scarcities but by the amount of investment which can be undertaken. Capital is so scarce in all European countries that a careful choice has to be made among different investment objects.

Capital-intensive modernisation should take place primarily in branches most exposed to American competition and not in more or less sheltered branches where the effect will be only to lower prices to European consumers—a purpose that might equally well be achieved by less costly investments in other sectors of the economy such as agriculture.

Confidence for Investment: Private business must be given firm confidence that Governments take responsibility for maintaining total demand at a high level. The present climate for investment is not very favourable because governments are holding down demand on account of balance of payments difficulties and fears of inflation. Yet without greater investment and changes in production, Europe cannot balance its payments.

ECONOMIC COMMISSION FOR EUROPE SURVEYS:

(2) Developments in East Europe and U.S.S.R.

The cloud of difficulties which has arisen in particular industries in eastern European countries at various times should not be allowed to obscure the picture of achievement of the eastern European governments which have on the whole planned successfully, granted their order of priorities.

With the growth of industry, the output of certain major industrial products in the Soviet Union has by now become comparable with that of the six Schuman plan countries plus the United Kingdom which, together, contain about the same population. The output of coal, electricity and steel in the Soviet Union is about one-half of that in western Europe and is increasing at a much faster rate than can be expected for western Europe. However, much more striking advances would be necessary to bring the living standards of the Soviet workers up to western levels.

Economic Plans: In eastern European countries (excluding U.S.S.R. and Yugoslavia), both in the industrialised and the less-developed countries, the long-term plans at present in effect place main emphasis on investment in the interests of a rapid increase in industrialisation. Thus, the current Polish six-year plan laid down that investment should be between 20 and 25 per cent of the national product; in Czechoslovakia, investment was between 20 and 25 per cent of national income in the years 1949 to 1951; in Rumania, where in 1948 investment was only 8 per cent of the national income, the ratio is to rise to 27 per cent in 1955; in Bulgaria, a ratio of 19 per cent is contemplated in 1953; in Hungary, the actual ratio appears to have been rather over 25 per cent in 1951. These ratios would be somewhat reduced if adjusted to western definitions of national income, but would be at least as high as any that can be found in western Europe with its much higher income levels, and definitely higher than in most of the countries of southern Europe which are in a more similar situation.

Investment Programme: The most significant thing about the investment programmes is not their total size but rather the concentration of a large part of this investment on additions to the capacity of the heavy industries which can give rise to increased supplies of consumer goods only in several years' time.

The decisions to stake everything on rapid development of heavy industry seem to have been taken in 1950 after the general deterioration of East-West relations and the tightening of links between the eastern European Governments implied by the formation in 1949 of the Council of Mutual Economic Assistance with headquarters in Moscow. It was in this year, too, that the eastern European Governments first devoted any considerable sums to expenditure on defence.

Targets for industry have generally

From Economic Survey of Europe Since the War, E.C.E., Geneva, March 5, 1953

been hit and, even more than during the reconstruction period, the desired pattern of resource allocation has been achieved. In effect, a revolutionary transformation of the industrial structure has been carried out; broad perspectives for expansion have been opened and many institutional and structural frictions which could have impeded such development have been eliminated. The immediate programmes for the output of capital goods, upon which the further expansion of production during the next decade largely depends, are indeed likely to be implemented in less than the scheduled period.

One big weakness, however, still remains: the inability so far of governments to control the 'balance of payments' between industry and agriculture.

Now that some of the large investment projects of the current planning period are finished or nearing completion, it should be perfectly possible for Governments, if they so wish, to increase investment in housing and in agriculture without reducing investment elsewhere. There is so far little evidence that they do so wish. On the contrary, when plans are revised, it is normal—eastern Germany is the most recent example—for the targets for heavy industry to be pushed up. But agricultural plans remain relatively modest. As long as this continues, the chance of a rapid and general increase in standards of living must remain rather slight.

Heavy Industries: Steel production in eastern Europe which had stagnated over the whole inter-war period increased after the second World War much more rapidly than in western Europe, so that at present, as in 1913, eastern Europe accounts for one-seventh of European steel production. As in steel, so in engineering the rise in production over the pre-war level was greater in eastern than in western Europe. By contrast electricity production ex-

panded more in western Europe than in eastern Europe, and in 1951, eastern European coal production, although higher than before the war, still had not regained the peak level of war time.

Soviet Union: By 1951, consumption standards in the Soviet Union had returned to the pre-war level: increases in durable consumer goods were more or less offset by shortfalls in the consumption of some foodstuffs and clothing. Although some slowing down in the rise in output of Soviet industry was inevitable with the close of the period of rapid reconstruction, at the end of the fourth five-year plan the further industrialisation of the Soviet Union continued at a rate surpassing that in any western European country.

Agriculture: Agricultural production in the Soviet Union was, allowing for the enlargement of territory and population, about the same in 1950 as in 1937. However, the current five-year plan envisages far greater increases in crop production than the last pre-war plan (1939/42), to which it was in many other respects similar. The major part of the difference lies in the optimistic expectation of increases in yields per hectare, especially in grain. The Survey's analysis of long-term changes suggests, however, that the plans for increases in yields may prove to be too ambitious . . . there is no precedent in the Soviet Union (or any other country) to suggest that yields in the remaining three years of the plan can be increased at an annual rate of 12 per cent. The planned increase in grain production alone is equivalent to about three times the volume of grain imports into western Europe and is more than the total volume of world trade in grain. In comparison with the plan for crops, that for livestock appears to be modest.

Grain consumption of the Soviet population appears to be adequate, and the diet suffers not so much from a lack of calories as from excessive starch and a deficiency of livestock products.

Investment: The planned growth in the output of heavy industries appears to make a sufficient allowance for a further rapid expansion in both investment and defence expenditure. The volume of investment by the State during the whole of the current five-year plan is expected to be 90 per cent higher than in the five years from 1946/50.

Standards of Living: In comparison with western European countries, the standard of living in the Soviet Union is still on the average considerably lower. Consequently a much higher proportion of personal consumption is devoted to food, and overcrowding in town dwellings is inordinately great.

The present five-year plan proposes to increase real incomes by about 35 per cent, but the increases planned in per capita consumption of animal products and in urban housing standards appear to be only around 15 per cent. Much more striking advances would be necessary to bring the living standards of the Soviet workers up to western levels.

Canada's Limited Power To Help Britain

BY BLAIR FRASER
Ottawa Editor of Maclean's Magazine

WHY should not Canada do more than she has done or is doing to help the United Kingdom and the other Commonwealth countries out of the financial difficulties that have become so dreadfully familiar in the past eight years?

Last month, the Minister of Finance, the Hon. Douglas Abbott, reported in his budget speech that in the three years since the beginning of 1950 the total output of the Canadian economy has gone up by nearly twenty per cent. The gross national product for 1952 was $23,000,000,000 or about £8,000,000,000 sterling. Mr Abbott is budgeting for another rise of four per cent this year. In the same speech Mr Abbott announced a reduction of 11 per cent in personal income tax; by a rather unhappy coincidence 11 per cent is precisely the fraction by which the United States' income tax will be cut if Congress allows the present war surtax to expire. President Eisenhower is trying hard to persuade Congress to continue the present level of taxation until they have contrived to balance the budget. But, of course, Canada has had a balanced budget ever since the war, indeed, an over-balanced budget. We have had embarrassing budget surpluses every year, cut our net debt by nearly $2,300,000,000, that is to say we have cut the net national debt in seven years by the full amount of one year's total national income.

Why then is Canada not carrying a bigger share of the common burden? The burden, not only of defending the free world with armed strength, but also of shoring up the economy of the west, restoring it to material health and prosperity.

Most visitors from Britain are too polite to put it as bluntly as that, but some do. A few years ago, Harold Wilson, then President of the Board of Trade, made a tour of Canada; at one point he summed up the Canadian attitude as: 'All aid short of help'. I belive Mr Wilson made that remark under the impression he was speaking off the record, but it got into the papers and it created a considerable fuss at the time. But there are reasons; they fall into two categories: one has to do with Canada and the other with the United Kingdom.

Canada has no Exportable Surplus

(1) In spite of our high employment level, our high wages, and our rising national income, in spite of all this, Canada does not produce an exportable surplus of goods. The United States does. After the United States has sold all the goods that can be sold in the home market at present prices, and then sold all that can be sold abroad, at present prices, with the existing dollar supplies in other countries, there is still a considerable surplus remaining. It is now running around $2,000,000,000 or $3,000,000,000 a year in value, and it has been as high as $6,000,000,000. Canada is in the opposite situation most years, because of the enormous flow of foreign investment into

From Broadcast, B.B.C. Home Service, The Listener, March 26, 1953

Canada, because Canadians have been hired to build railways and mines and power plants and oil refineries which are not yet producing anything. Canada has been able to buy much more than she sells abroad. In 1951, we bought $500,000,000 worth more than we sold; in 1950, $300,000,000. Last year we did run up a modest surplus in our international balance of payments, but it was not nearly big enough to offset the deficits of previous years. There is nothing to indicate it will be permanent.

That means that Canada can only give anything away either by imposing a cut in our standard of living by deliberate and artificial means, or by giving away borrowed money. We have found out already that we cannot finance foreign aid out of our reserves of American dollars. The last time we tried that, with the British Loan in 1946 and '47, we nearly went bankrupt; we had to inch our way back to solvency by a drastic set of import controls. They were not only unpalatable and unpopular, they were directly contrary to the Geneva Agreement on tariffs and trade which we had just signed. Indeed, by common consent, they are just the sort of thing that every western nation is trying earnestly to get rid of.

Why Not Lower Living Standard?

But, of course, we could lower our own living standard. And we could give some direct economic aid to allied countries: as a matter of fact, Canada was asked to do just that very unofficially at the North Atlantic Council some fifteen months ago. Canada refused. Canadian delegates argued that the only way Canada could provide economic aid would be by giving away the food and the raw materials that were now being sold for dollars. They were afraid that if they once started giving some fraction of these things away for nothing, they would have a hard time selling the rest. Everybody would want to be on the free list; at the very least, to get a big reduction in prices. And so it was argued that the eventual effect of even a rather small gift of exportable goods would be to knock the bottom out of the export market on which the whole structure of Canadian prosperity depends.

Aid No Longer Desired

(2) Whether you accept that argument or not, there is another whole category of reasons that make it more or less irrelevant now. The fact is that Britain no longer wants direct economic aid from Canada or from anyone else. The Marshall Plan has served its time and its purpose. For both giver and receiver, the drawbacks have come to outweigh the advantages. Britain is asking now for 'trade not aid'.

That is a slogan which Canada certainly endorses, but there is not a great deal Canada can do of her own motion to bring it closer to actuality. Take the proposal for a convertibility fund. You may be sure that if a concrete proposal is made which has a snowball's chance of getting through U.S. Congress, it will have all the support that Canada can put behind it. But until such a concrete proposal is made, and until American support is forthcoming it is idle to suggest that Canada could do anything on her own. It calls for much bigger money than any small country could possibly put up.

Tariffs and Restrictions

What about the other aspect of building up trade? What about tariffs and trade restrictions? Even

more important, what about Canadian willingness to buy British goods?

To take the second point first: it is true that Canada could do more in the direction of buying British goods. Britain is selling three and a half times as much machinery here as she sold even in 1949 for example, but British salesmen still complain that Canadian engineers are prejudiced in favour of the American product they have been used to. And some of these reluctant engineers work and purchase for the Canadian Government itself. The announced policy of trying to stimulate sterling imports has not percolated down to the operating levels in all cases.

But, although Canadians might well do more in buying British, we are the only people on this continent who are doing or are likely to do anything at all. Canada is a market where the British producer has a number of special advantages. Canadians want Britain to earn more dollars and so be able to buy more Canadian goods. And speaking of special advantages, do not overlook the imperial preference that still operates in the Canadian tariff. British goods are admitted to Canada at very low rates of duty; rates far lower than any realist could hope to get out of the United States Congress.

With the exception of one or two lines like woollen textiles, I do not think there is any range of goods on which Canada could help British imports by a tariff reduction. We are all committed now against discriminatory trade practices, and so a tariff cut for Britain would have to mean a cut of the same proportion for the United States, and except in the one or two cases I mentioned, the effect of a tariff cut would simply be an additional flow of American goods into the Canadian market. And so far, neither British nor Canadian goods can compete with American prices.

With all these advantages in the Canadian market, the British are selling here considerably less than half of what they are buying. The deficit in British trade with Canada —if it keeps on running at the same rate as in January—will be nearly £200,000,000 this year. There is very little Canada can do about that.

NEW U.S. COST-OF-LIVING INDEX

The new U.S. cost-of-living index uses a more recent base period (1947-49, as compared with 1935-39, the previous period) and takes into account changes in American buying habits. New homes, television sets and frozen foods are among 'market basket' items added.

The 1953 revision is the second change of the index to reflect altered buying habits and price relationships. The index was first based on 1918 prices, and was revised on the basis of 1935-39 prices.

The first issue of the new index, for the month of January, showed that the cost of living had dropped two-tenths of one per cent since December. The index stood at 113.9, which means that prices were 13.9 per cent above the base period of 1947-49.

Because some of the trade unions with 'escalator' clauses in their contracts have criticised the new index, contending some of the changes will adversely affect workers' wages, the Bureau is going to continue issuing the 'old' index, using the previous basic material. This will give the unions and management time to bring their contracts into accord with the new index. 3,500,000 workers are affected.

According to the three-year survey which preceded the change of index methods, the average family divided its spending in this manner: 30.1 per cent of its income for food, 32 per cent for housing, 11 per cent for transportation, 9.7 per cent for apparel, 5.4 per cent for reading and recreation, 4.7 per cent for medical care, 2.1 per cent for personal care, and 5 per cent for 'other goods and services'.

Why Canadian Farmers Back Wheat Board

BY GILBERT JACKSON (TORONTO)

Prairie farmers are in no hurry to return to private trading, and here are the reasons.

DISPOSAL of the large but poor quality Canadian wheat crop of 1951 appears to have increased the prairie farmer's support of the Wheat Board trading monopoly.

He saw a crop, most of which was originally suited only for animal feeds, processed and sold by the Board to world markets largely in millable grades; and he received for it an average price, only moderately less than for the small and high quality crop of 1950.

The farmer did not argue the economic causes of this windfall, but gave the Wheat Board most of the credit for saving him from getting rid of his surplus wheat at distress prices. Part of the credit, in the prairie farmer's view, also went to the International Wheat Agreement, which provided a guaranteed quota for half of his 1951 crop. He did not concern himself with the wheat crop failure in Argentina, continued U.S. aid to Europe, or the high parity wheat prices in the U.S.A., which were the main reasons for the favourable end result.

The prairie farmer therefore presses for renewal of the International Wheat Agreement in 1953. He considers that 'the difference between Agreement and world prices could be regarded as a producers' insurance premium' (J. E. Brownlea, President of United Grain Growers Ltd., Winnipeg, 1952).

The generously low prices for U.K.-Canadian bulk wheat contracts, during and since the war, should not be regarded so much as a deliberate effort to aid Britain as a means to hold the world's largest wheat import market for the future. This has had much more influence than the International Wheat Agreement on the considerably lower prices for wheat—grade for grade—that the Canadian farmer has accepted, in comparison with those paid to the U.S. farmer, and for part of the post-war period, to the Australian farmer.

It is true that the spread on wheat prices has widened since mid-1949, but this resulted chiefly from the higher proportion of Canadian, in contrast to U.S., wheat exports which came under I.W.A. guaranteed quotas.

Another consideration which has played its part in lower average Canadian wheat prices is the relatively high proportion of Canada's wheat crop, both post-war and pre-war, which has entered into export trade. (See table on next page.)

The table shows why Canada cannot afford the parity prices for wheat which prevail in the U.S.A.; and why the Wheat Board's initial and final payments for wheat to the Canadian farmer are based on a 'break-even' anticipation of the market, rather than on cost considerations. Such subsidies as the U.S. Government has paid to U.S. wheat farmers during the past few years,

From Post-War Trade in the Primary Commodities, Gilbert Jackson and Associates, Toronto, February, 1953

Production for Export, adjusted for Export Seed Quantum
(in millions of bushels and as percentage of total average crop)

	1935-39 *Average*		1946-52 *Average*	
	Bushels	*Percentage*	*Bushels*	*Percentage*
Canada	220	70.5	330	72.3
Australia... ...	127	74.7	110	63.0
United States ...	82	10.9	511	43.0
Argentina ...	131	59.0	70	38.2

relative to I.W.A. contract prices, if applied to the whole wheat export trade, would have meant an extra annual tax of some $13.50 on every Canadian person, as compared to the $1.76 it has meant to the average U.S. person.

Post-war costs, if we accept the pre-war parity pattern of those costs, have been somewhat higher than the average price received by Canadian farmers for cereals, as compared to those of 1935-39. But that is true only of the inefficient farmer who has failed to shift a proportion of his labour costs to machines.

Feather Bedding

Moreover the Canadian cereal farmer has benefited greatly by the continued application of the Crow's Nest Pass Agreement which has kept internal railway freight rates on wheat frozen for a half-century despite a three-fold rise in general prices.

As yet the Canadian cereal farmer had made very little use of chemical fertilisers (probably only 1 per cent of wheat grown in Canada is now subject to this valuable aid); and such a further shift in his cost pattern may well do as much to improve his cost-price position on wheat production, in the next generation, as the tractor and self-propelled combine have in the last one.

The lower relative wheat prices which the Canadian farmer has willingly accepted in the post-war years probably reflect his wish not to risk the mistake made by the U.S.A., during the pre-war decade, in setting cotton parity prices too high, and thereby destroying a large part of the natural U.S. export market for raw cotton.

Thus the Canadian farmer now enjoys an unprecedented comparative cost advantage on wheat that would remain, and that might prove even more remunerative to him—in the long run—if there were no Wheat Agreement and no Wheat Board, and if there were a general return to the free and open marketing of wheat.

The Rt. Hon. C. D. Howe, federal Minister of Trade and Commerce, who administers the Wheat Board, apparently recognises this fact by his repeated assurances that wheat trading in Canada will be returned promptly to private hands just as soon as the prairie farmer so desires.

U.S. National Debt Policy:

Long-Term Implications of Rise in Interest Rates

BY PROFESSOR SEYMOUR E. HARRIS (HARVARD)

THE new policy of debt management should be scrutinised by top Administration, by Congress, and by citizens generally. This is the time to do it. Higher interest rates are crucial not only for management of the debt but the whole economy.

In 1946 the average rate on United States Government long-term bonds was 2.19 per cent. Now the market is beginning to anticipate a long-term issue of 3 or 3¼ per cent, or roughly 1 per cent above that of 1946. (*The New York Times*, on March 26, reported yield of 2.95 per cent on one long-term issue.) Even by late 1952 Treasury bill rates had risen from .351 per cent at the end of 1945 to 1.837 per cent, and certificates of indebtedness from .875 to 1.890 per cent.

Within nine days of assumption of responsibility the present Administration had offered an exchange of 1.875 per cent certificates of indebtedness for 2.25 per cent certificates of indebtedness, and for some other issues. The market awaits still higher rates.

What is behind this new interest-rate policy?

No Free Market Criterion

First, there is the new Administration's penchant for the free market. But in the management of the public debt there has been no free market. The price of Government securities depends upon the amount of money outstanding; and the latter in turn is largely determined by monetary authority. It has always been a manipulated market. In fact, many economists hold the theory that control of the interest rate is a price that has to be paid to assure freedom in other markets.

Second, the authorities seem to believe that it is sinful for the banks to hold large amounts of securities. Therefore, they hold, it is necessary to raise rates to a point where the public will be tempted to buy the securities and the banks to dislodge them.

But I would remind the authorities that since 1914 *purchases of securities by banks have accounted for about two-thirds of all rises in earning assets of banks and have been the most important monetary factor in financing a rise of money income of eight to ten times and of real income of four to five times.*

Perhaps the monetary authority will tell us where, in the absence of bank purchases, the money is to come from which will be required over the next twenty-five years on the conservative assumption that real income would rise by 100 per cent and prices by only 50 per cent (less than 2 per cent a year). For when the banks buy, additional deposits are created.

Inflation at Minimum

Third, the new policy is supposed to deal with the problem of inflation. But surely since early 1951 the inflation has been a minimum (less than 3 per cent a year in the cost of living, and a decline in wholesale

From Letter in New York Times, April 5, 1953

prices) given the task of mobilising resources for our military economy.

Whatever the case for higher rates in earlier years, it is difficult to believe that, in the absence of the extension of war, higher rates are the appropriate policy in the next few years. If some classes of borrowers are abusing use of credit, there are alternative policies to higher rates which do not demoralise the Government bond market.

Defenders of the new policy will tell you that it was the Federal Reserve-Treasury concord of early 1951, with its repudiation of the debt-support policy, that stopped the rise of prices.

To this I would reply: What about the reversal in the speculative rise of raw materials? The increase in taxes? What about the cumulative effects of record level of investments (and hence saturation of markets)? What about allocation of materials and price control? What about the excessive speculation in the first nine months of the Korean War? What about the difficulties of the soft-goods industries? All of these also can account for the flattening of the rise of prices.

The new Administration should go slow in reversing the policies of the Roosevelt-Truman Administration in this field.

Managers of the public debt have learned, since 1933, to tailor securities to the needs of different segments of the market, to give enough assurance to the market so that investors could safely hold long-term securities and hence be satisfied with lower rates. Compare the uncertainty to-day, with investors disposing and waiting until they are sure they make the best possible bargain. Had rates in the last twenty years been those of the 'twenties, the cost of the national debt would have increased by more than $50 billion.

Rise in Costs

The national debt now costs $1,000 *million per year more than at the end of the war, though the size is roughly the same.* Should the Administration continue with its present policies and bring rates back to the level of the 'twenties, the cost over twenty-five years may well be $100,000 million.

It is also well to observe that a rise in the rate by 1 per cent gives the banks an additional return of $600 million per year ultimately.

The Congress is meticulous about appropriations of even $50,000 for the pay of economists whose task it is to study the $350 billion economy as a whole. Yet they allow, without any restrictions, full discretion to the managers of the debt even though one policy might cost from one to four billion dollars a year more than another.

Again I urge a careful appraisal of the long-run implications of the new debt and interest rate policy. *Not only the tax burden but also the state of our economy is involved.*

BRITISH AGRICULTURAL ECONOMICS

Mr George Allen, a member of the staff of the Agricultural Economics Research Institute, Oxford, will open a discussion on Agricultural Economics at a meeting of the Economic Research Council, on Wednesday evening, May 6. The time is 8 o'clock; the place, Angus Room, 55 Park Lane, London, W.1.

Non-members will be welcome if they will tell the secretary of their intention to be present: Address, 18 South Street, London, W.1 (GRO 4581).

Progress of Electrification in Soviet Agriculture

BY PROFESSOR N. SAZONOV

IN THE Soviet Union a tremendous amount of work has been carried out for the creation of a large-scale engineering industry and for the electrification of production.

From the first GOELRO Plan, which provided for the construction of 30 large power stations, to the Dnieper Hydro-electric Station and to the great hydro-technical constructions on the Volga—such is the path travelled in electrification in the Soviet Union.

Lenin visualised, not the isolated construction of individual power stations, but the gradual switching of the whole of the country's economy, including agriculture, to a new technical basis, to the technical basis of modern large-scale production, linked in one way or another, directly or indirectly, with the work of electrification.

Electricity is penetrating into the most varied branches of the commonly-owned economy of the collective farms and into the life of the villages. Electric motors are replacing manual labour, and horse and mechanical traction. In 1950 there were over 75,000 electric motors in agriculture, with a total power of 400,000 kilowatts.

In 1952 the consumption of electricity in agriculture was nearly four times as great as before the war, while the total capacity of all electric installations had increased nearly five-fold during the same period.

The huge new hydro-electric stations will considerably strengthen the Soviet Union's power base. The Kuibyshev and Stalingrad hydro-electric stations alone, for instance, will supply agriculture in districts on the left bank of the Volga every year with 3,500 million kilowatt-hours of electric power, which is more than eight times the annual consumption of electricity by the whole of agriculture in the pre-war year of 1940.

The electric power supplied to agriculture will be used mainly for the electrification of irrigated agriculture and of the labour-consuming processes in animal husbandry, and other important work.

A large number of electric pumping stations will be built to raise water from canals, reservoirs, etc., for the irrigated areas. A close network of high-tension transmission lines and transformer sub-stations is being built. In the districts on the left bank of the Volga alone, the total length of all rural transmission lines over an irrigated area of nearly 2,500,000 acres amounts to more than 6,000 miles.

Vast Economies

From the experience of work on collective and State farms where electrification has been carried out, it is possible to see the tremendous economic effect that the use of electricity has on agriculture.

On the Vladimir Ilyich Collective Farm of the Lenin District (Moscow Region), 36 production processes have been electrified. The total

From Soviet News, London, March 31, 1953

capacity of the electric motors installed on the farm amounts to 303 kilowatts. By widespread use of electric power the collective farm is able every year to save over 66,000 workdays, and also the equivalent of 220 working days of 100 horses, and 50 tons of motor fuel. With the introduction of electricity there has been a great increase in the productivity of labour.

On the May Day State Farm in the Stalin Region, which is engaged in pig breeding, the total annual consumption of electricity has reached 525,000 kilowatt-hours. Through the electrification of production processes the State farm has achieved an annual saving of over 350,000 roubles, at the same time securing a considerable cut in production costs.

An important stage in the development of the electrification of agriculture was the introduction of the electric crawler tractor and the electric combine which Soviet scientists and designers were the first to produce. The first 35 electric tractors were turned out in 1948 and sent for trials to machine and tractor stations in various parts of the country.

The new tractors have been used for ploughing, sowing, cultivation, harrowing, transport and other work. Experience has shown that the electric tractors consume on an average nearly 18 kilowatt-hours of electric power per acre ploughed. They effect a saving of 16 lb. of liquid fuel per acre.

In 1949, the Korsun-Shevchenko Machine and Tractor Station was the first in the Ukraine to go over to electric ploughing. Now this machine and tractor station is using 10 electric tractors and five electric combines, and it has 15 mobile electric substations.

Electric Ploughing

Last year electric ploughing was carried out on 11 collective farms. From the fields cultivated with electric tractors yields of 2-2½ cwt. more grain per acre and 20-24 cwt. more sugar beet per acre were obtained as compared with fields cultivated by fuel-driven machines. The reason for this is that electric tractors make it possible to plough to a depth of 12-14 inches, and to raise the level of agricultural technique. On the Zhdanov Collective Farm, for instance, on an area of 500 acres cultivated by electric tractors, the yield of winter wheat was 22½ cwt. per acre.

Since the war, the building of village hydro-electric stations has been developed on a mass scale. The fact that a thousand and more village hydro-electric stations have been put into operation every year has greatly increased the importance of these stations, and at the present time they hold a leading place in rural electrification. From the construction of small power stations with a capacity of 15-20 kilowatts, the collective farms are now switching over to the building of large hydro-electric stations for the joint use of a number of collective farms. In the Ryazan region, for instance, the Rassypukhin hydro-electric station has been built. It has a capacity of 2,000 kilowatts and serves a number of collective farms.

Price Problems of Proposed European Agricultural Community

BY PROFESSOR G. U. PAPI

The Schuman Plan for Europe's coal has inspired a 'Green Pool' Plan which, if not in the realm of practical politics, raises many fascinating problems of which price control and defining the high authority are examples

ONE of the most serious perplexities in the Green Pool Proposal arises from the proposal of 'arbitrating' a European price. What price should be fixed?

If the price thus fixed covered the production costs of the less economically advantageous country, then the trade done at that price would be profitable to those who produce at lower costs and sell at the higher European price; but it would not be profitable for the importers in several countries for whom the pool price would become a real cartel price, excluding the advantages of competition and the possibility of buying at lower prices on the free markets.

It may be that all the countries affiliated to the pool would be willing, as producers, to liberalise imports of certain products as long as the high price rules, a price that, after all, protects their high-priced product. But it is the consumers who will have the last word; and should they refrain from buying, the pool will not be able to facilitate trade, nor will it be beneficial to agricultural production.

Again: if the 'arbitrated' price should only cover the production costs of some countries, then those producing at higher costs will have no reason to enter the pool, or to liberalise the imports of the product at a price fixed at a lower level than that ruling on their own markets.

Dutch Plan

The Dutch plan would provide for fixing a 'European commercial price', which might differ from the national one. For the exchanges between the pool countries, the plan foresees that each Government will levy a duty on the importer when the national price is higher than the European at which the staple will now be bought; or else it will grant a subsidy to the importer when the national price is lower than the European.

Now, it will be impossible to avoid financial complications, which not all Governments will be in a condition to face. It would be difficult to ascertain in advance the size of the financial charges thus weighing on the budgets of the several States, even if it were possible to identify in advance the products passing through the pool.

Reference is indeed made to a European price level only a little higher than the world price. Nevertheless an unstable factor would always be introduced into each national budget, that of the grants to be made to the importers. Nor would the assumption seem justified

From Myths and Realities of the European Green Pool, Quarterly Review, Banca Nazionale del Lavoro, Rome, Vol. 5, No. 23

that the cost of the subsidies would be offset by the possible yield of the duties levied on other products that the pool deals with in those cases in which the European is lower than the national price.

Moreover, even supposing that the pool countries undertake to purchase from each other only a quota of the exportable surpluses of fellow members, purchasing the remainder from non-member countries, considerable doubts are felt as to the duty which would be fixed by the High Authority, charged to the importer making purchases from non-pool countries.

After all, such a duty would mean penalising imports which countries are often compelled to make in order to find outlets for their exports on other markets; the duty on imports would, in the last resort, amount to a real tax *on exports*. Therefore, while it is not inconceivable that the pool countries might agree to undertake the purchase of a quota of their respective export surpluses, it is not conceivable that they should pledge themselves to do so for total imports and exports from and to countries outside the pool and outside Europe.

French Plan

The Charpentier plan would fix the 'European price' for trade exchanges not only with non-European but also between European countries. It lays down that the High Authority will suppress national quotas and fix compensating taxes against the differences in production costs. It does not provide, as does the Dutch Mansholt plan, for duties on or subsidies to imports should the national price be either higher or lower than the European one.

But the prospective dangers arising from a fixed European price differing from the world price are no less serious. The European price would no doubt represent an insurance for the producers; but it might not offer the necessary incentive to the adoption of all possible improvements in farming methods. It spells isolation, crystallisation of the European situation; whereas the rebalancing of the several economies of the European countries can only be secured by encouraging trade with the rest of the world.

The idea of basing the European price on average costs would be extremely difficult to realise in the case of products produced under a very great variety of conditions even in a single country. But, even if it were possible to carry it out in practice, this principle leaves out of account, with a resulting high price, the needs of sufficient nutrition, as well as the financial interests of the consumers.

Nor can the example of the coal and steel pool be adduced. The Monnet-Schuman pool provides for an Authority which may make loans to the concerns; fix production quotas should the demand be insufficient; prevent unfair competition; fix, under certain conditions, maximum and minimum prices; even set up clearings between the concerns, taking into account differences in production costs.

Doubts About High Authority

But it would be difficult to confer such powers on a High Authority in the case of agriculture. Some powers —such as that for setting up clearings between the several concerns—would be impossible in practice, in view of their very great number and the widely different conditions under which they work.

Many difficulties stand in the way of accepting the proposal for setting

up a High Authority with powers to define—even if only at a later stage of the work—the systems of production for each country. Such systems are the result of slow development, of special legislation, of investments already planned and in operation.

Such for instance, in Italy, are the works of land reclamation, irrigation, the *Cassa del Mezzogiorno* (Fund for the South) and mountain-land improvements. It is inconceivable that a foreign Authority should interfere in the policies of the several countries, presumably without having even a thorough knowledge of their respective situations.

Still more difficult is it to conceive that such an Authority should exercise its powers in the field of agriculture only, or rather in a mere section of that field, when the need of securing a balance between agriculture and industry, the structure of the customs tariffs, etc., clearly shows the interdependence of economic factors.

More Haste, Less Speed

It would be better to examine first of all, by common consent, the means for giving practical effect to an Agricultural Community—perhaps under a system of priority quotas—which would encourage a larger volume of trade and would settle to a great extent the problem of the quantities available for export in each country. Setting up a High Authority might be considered later on, when the possibility of operating the Agricultural Community has been demonstrated.

ADVICE TO PRESIDENT EISENHOWER ON

Trade and Tariff Policy in National Interest

THE PUBLIC ADVISORY BOARD makes the following recommendations:

1. That decisions on trade policy be based on national interest, rather than the interest of particular industries or groups; that in cases where choice must be made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments by means other than excluding imports —such as through extension of unemployment insurance, assistance in retraining workers, diversification of production, and conversion to other lines.

2. That a new simplified tariff act be adopted, providing for general reductions of duties and eliminating present uncertainties in the classification of goods by consolidating the many hundreds of present tariff rates into seven basic schedules: a Free List; four groups of commodities bearing duties of 10, 20, 30, and 40 per cent ad valorem; a Specific List for basic agricultural and mineral raw materials; and an Extra-ordinary List where commodities might be placed whose importation, for security or other reasons, should be limited by quotas or other restrictions, or by exceptionally high rates; that Congress establish appropriate standards for such an act and authorise the President to develop and carry out its details.

3. That the President be authorised to enter into reciprocal trade agreements without limit of time and with power to reduce tariffs, within specified limits, in return for reductions in tariffs or restrictions by other countries.

4. That, as an interim measure, customs procedures be simplified by prompt passage of a bill similar to that recommended by the Treasury and passed by the House of Representatives in 1951; that a commission be created to study and propose further measures of customs simplification.

5. That tariffs be reduced, and quotas on agricultural products be liberalised to allow the freer import of goods that are not produced in this country in sufficient quantity at world prices; that Section 104 of the Defence Production Act, restricting the import of certain agricultural products, be repealed.

6. That tariffs be reduced and in some cases ultimately eliminated on metals and minerals of which imports are a major part of U.S. supplies; that, where necessary for defence reasons, domestic production be encouraged through special purchases or contracts rather than tariffs.

7. That import excise taxes now applying to petroleum products be dropped; that, if imports reach a level where they impede domestic exploration and development, other measures be taken to assure a domestic industry adequate to defence needs.

8. That cargo preference, by which 50 per cent of the cargo on aid and loan shipments is reserved to domestic carriers, be not applied to countries that let American shippers compete on a fair basis.

From Report to the President by the Public Advisory Board for Mutual Security, Washington,

9. That the procurement policies of the Government which raise the cost of goods bought by the Government be reconsidered in the light of the principles and objectives of a foreign trade policy in the national interest.

10. That Congress take the necessary steps to enable the United States to join in establishing an international organisation to promote the objectives of the General Agreement on Tariff and Trade (GAAT); that active participation be continued in other international organisations to promote fair exchange and fair labour practices and the flow of investment capital.

Principles of Reform

These recommendations are based on certain major post-war developments, such as the increased volume of U.S. exports and imports and the increasing dependence of the rest of the free world on the U.S. for imports and for absorbing its exports. U.S. exports now constitute nearly 20 per cent and imports about 15 per cent of the total trade of the free world; but this trade is threatened by the inability of other countries to earn enough dollars to pay for their dollar imports.

To obtain balance in dollar payments, all areas of the free world must take action. Europe must eliminate inflation and produce competitively and efficiently the goods that are in demand in the world markets; the under-developed regions must adopt programmes of balanced development; the U.S. must reduce its barriers to trade.

Our guiding aim should be, by national and international action, to increase production, trade, and consumption of goods, and to eliminate unnecessary trade barriers and all forms of discriminatory treatment in international commerce.

* * *

It is impossible to make a quantitative determination of the adverse effects on international trade of the uncertainties inherent in the tariff law, but one indication is the litigations that arise in connection with classification.

Tariff Classification Cases, U.S. Customs Court, Fiscal Years, 1947-52

Year	*Cases pending beginning of year*	*Cases received during year*	*Cases decided during year*	*Cases pending close of year*
1947	105,433	6,627	15,293	96,767
1948	96,767	7,414	22,219	81,962
1949	81,962	10,020	15,777	76,205
1950	76,205	12,971	12,421	76,755
1951	76,755	10,722	12,368	75,109
*1952	75,109	14,205	6,322	82,992

Note: Includes protests of collectors' decisions not involving classification which in recent years have amounted to about 10 per cent of the protests received by the Customs Court. Appeals for reappraisement are tabulated separately.

(The 83,000 cases pending at the end of fiscal year 1952 are in addition to an almost equal number of cases arising from valuation and customs procedure pending in the Customs Court.)

Increased Imports Estimated

Enactment of the recommended measures on trade and tariff policy would result in a considerable increase of imports—about $700 million a year within three years and probably $1,000 million a year at the end of five years.

The tariff, peril point provision, and escape clause are designed to protect domestic producers; they do not give the consumer the right to buy the goods he prefers, whether foreign or domestic; they do not provide to American business, agriculture, and labour the right to export the goods they produce since a penalty on imports is a penalty on exports; they do not make for a higher level of trade and better balance in international payments. The U.S. trade policy should be based on the national interest rather than the interests of any small group of producers.

In the estimated increase in imports— $700 million to $1,000 million a year—there will probably be only a minor increase in imports of metals and minerals, a moderate increase in agricultural products (maybe $200 to $300 million a year), and the largest increase in manufactured goods (perhaps $500 to $700 million a year). Even in manufacturing, the problem is one of adjustment to increased imports amounting to a small fraction of one per cent of the value of the total output of manufactures in this country.

Displacement of Workers

If it is assumed that the whole of the increased imports of manufactured goods displaces an equal value of domestic output of the same kind, the estimated increase in imports would probably displace the output of 60,000-90,000 workers. Displacement of 60,000 workers would affect about one out of every thousand persons gainfully employed in the U.S. and would require adjustment on a scale that is small when compared to the vast adjustment in production and employment that is constantly taking place in this country. The American economy is highly flexible and as long as business is expanding, there is usually little difficulty in absorbing workers from one industry to another.

The logical and vital counterpart to a strategic trade control policy is an expansion of trade within the free world, including an expansion of U.S. imports.

ANY OLD RAGS? *continued from opposite page*

point of a place like Dewsbury, and the essence of its service to the woollen textile industries of the world. For these men and their fathers before them had spent their whole lives in rags. To them, rags were not 'just rags', but each was individual, each had its story.

They would look at a bale, for instance, for clues to its town of origin: London rags are better than rags from, say, Merthyr Tydfil or the Black Country; rags from a port will have different characteristics again, although, even within that category, a ragger's sixth sense can distinguish between rags from, say, Hull and rags from Newcastle. Rags from the Highlands may well contain homespun and hand-knitted woollens, but the nicest rags of all, one Dewsbury rag-merchant assured me, are those coming from the Lowland towns of Scotland.

Any Old Rags?

BY HARRY HOPKINS

SOME statistics the other day struck me as mildly astonishing. They were about rags—British wool rags.

In the first nine months of last year over 20,000,000 pounds weight of British rags were exported to the United States, nearly 8,000,000 pounds to Germany, and 1,000,000 to Japan; and our rags are shipped to a score of other countries, including the Soviet Union. As much as 80,000,000 pounds of fibre recovered from such rags was used in making new cloth in Britain in 1951; so that your old suit, which you last saw disappearing on the back of the rag-and-bone man's cart, becomes the raw material of an important branch of the woollen textile industry.

Rag auction-sales, drawing consignments of rags from almost every country where clothes are worn, have been going on in Dewsbury for well over 100 years. They are still being held six or seven times a week. I went along to one of them.

I climbed a flight of wooden steps leading up from a yard and found myself on the upper floor of a warehouse, a vast iron-girded cavern of a place, stacked with hundreds of big, brown bales. Down one of the aisles between the bales came trooping fifty or sixty serious-faced Yorkshiremen, most of them wearing hats and coats. They held long, printed lists in their hands and I saw that they were tagging along behind a man in a white dustcoat, and another in a brown one.

Some way down the warehouse, the man in the brown dustcoat came to a halt opposite one of the bales and slashed at it, deftly, with the small curved knife he held in the palm of his hand. The sackcloth parted and through the slit appeared a tight wedge of old anonymous garments, scarves, gloves, vests, in a score of light shades. The buyers crowded round.

The auction had been going on all morning, working its way down a sales-list of over 200 bizarre-sounding items, from 'RA.F. Serge' to 'Ladies Felt Hats', from 'Canary Comforters' to 'Dirty White Knitts'. And there would be another auction-sale, somewhere else in the town, that afternoon. They were important links in the process—which comes to a focus here in the valley of the inky Calder—by which your old suit or dress is born again, reincarnated in a blanket, a sports coat, or, perhaps, army uniform; by which rags are disintegrated and their fibres re-spun into yarn, moving from rags to new clothes and from new clothes to rags and back to new clothes again in a continuing process.

Raggers are Specialists

The buyers at the auction were mainly rag-merchants — 'raggers' they call them—and, a stage further along in the process, shoddy manufacturers. As I stood there, watching the brisk bidding, I found myself wondering how it was possible for men to bid these substantial sums, so confidently, for bales of miscellaneous rags.

But that, of course, is the whole

concluded on opposite page

From B.B.C. Broadcast, Listener, London, March 12, 1953

Mechanical-Handling Equipment

BRITAIN IS USING MORE AND EXPORTING MORE

For every ton of finished product from many factories, 50 tons of materials have been lifted, moved, loaded and unloaded in the course of manufacture. The cost of this can amount to anything from 15 per cent to 85 per cent of the total factory production costs, varying from industry to industry and from firm to firm.

The output of mechanical-handling equipment industries has increased impressively in the post-war years.

Industrial power trucks, where the most startling developments have taken place, were little used before the war (except by the railways) and production was very low. Only 164 were manufactured in Great Britain in 1937 (value £41,000) whereas 5,000 were produced in 1948 with a total value of £2¾ million.

Production has continued to rise to 6,510 (1950), 7,007 (1951), 7,085 (1952).

Character of Production

The greatest growth has taken place in fork-lift truck production. Although a truck embodying the fork-lift principle was in use in Britain some thirty years ago, the advantages were not widely realised until during the war. In 1946 one or two established firms developed fork-lift trucks as additional items to their main business and production that year totalled 53 trucks. There are now some twenty manufacturers with an output of over 3,000 trucks in 1952.

Production of cranes, conveyors and elevators, and other lifting and hauling gear, has also expanded. The 1948 Census of Production showed that output of these goods (by the larger firms) had risen from £7 million in 1937 to £28 million. The value of output has risen year by year since then and reached £46.77 million in 1952. Some part of this increase has been the result of higher prices, but there has been an increase in the volume, as well as in the value of output.

Exports High

Exports of fork-lift trucks rose from about £500,000 in 1949 to £1½ million in 1952, over one-third of output. The main export markets are the Commonwealth and Europe, although some progress has been made in dollar markets, not only in Canada but even in the United States. This export performance has been achieved despite severe and growing competition from the American, German and Swedish companies.

In each year since 1948 approximately 27 per cent of total production of lifting and hauling gear has been exported, and here too, there has been an increase in volume as well as in value. In 1952 exports were over £14 million compared with about £2 million in 1938. The Sterling Area is a particularly important market taking over 50 per cent of total exports.

These exports are a great contribution to overseas development. To take aerial ropeways and cableways as an illustration, a 12½ mile bi-cable

From Bulletin for Industry, H.M. Treasury, London, March, 1953

aerial ropeway was sold to the Metropolitan Water Board, Sydney, to carry concrete aggregate for the Warragamba dam. Ropeways have also been sold for dams in New Zealand and Portugal, to carry coal in Spitzbergen, sulphur in Argentina and timber in Yugoslavia. A cableway transporter was constructed over the Tigris for the Irak Petroleum Co. to facilitate the movement of supplies for pipeline construction.

Mechanisation at Home

Increased production has also meant greater supplies of mechanical handling equipment for home industry.

Fork-lift trucks are being used with astonishing versatility and success. Loads from 10 cwt. for small models to 8 tons for the most powerful models can be lifted to heights of 6 to 20 feet. In addition to the forks, trucks can be fitted with various ancillaries such as a shovel, a crane, a boom, a rotating head or a hydraulic squeeze clamp. Various developments are in hand to allow a reduction in gangway space, and fitment with tracks is under way for use outdoors over rough ground.

Nearly 7,000 British fork-lift trucks have been sold in this country since 1946 and there are many examples of their effectiveness. A firm of manufacturers of photographic paper solved its storage problem by use of a fork-lift truck; 4 cwt bales of pulp could be stacked to heights formerly beyond reach. In addition, a gang of 4 men was able to deal with 100 tons a day, compared with 30 tons a day before the introduction of the fork-lift truck. A fork-lift truck released 14 men for more productive work from the packaging and stores department of a mechanical group firm; it could stack and unload in one-tenth of the time taken by man-handling. Even a small firm, employing only 60 people, introduced a fork-lift truck and palletisation of materials; the cost per week was £10, the overall saving £200 a week.

Production for home investment in all types of lifting and hauling gear has also increased, £20.7 million worth in 1948 to £34.3 million worth in 1952, a total of £137 million in 5 years to improve industrial capacity. At Abbey Works, Margam, there is over one mile of conveyors, totalling over 1,000 tons per hour capacity, to carry ore, coke and limestone. Mechanisation of handling has brought quick returns to many firms operating on a less spectacular scale; a band conveyor installed in a cleaning cloth factory to take bales of cloth from making up to packaging point speeded up production and reduced direct handling costs by 17 per cent.

Exports of mechanical handling equipment have sometimes clashed with the need for greater productive investment at home. Partly as a result of the export success of the industry and partly as a result of raw material shortages, imports of mechanical handling equipment rose sharply in 1951 and 1952. However, in the last three months of 1952 these imports had already fallen off considerably: £236,000 worth compared with £379,000 in the previous quarter and £438,000 in the last quarter of 1951.

In Short

The industries manufacturing mechanical handling equipment have already greatly expanded their output to the benefit of productive investment at home and the development of new resources overseas. But the rate of installation of such plant in this country still lags behind that

of American industry and considerable scope remains for cutting handling costs. And there are export markets still to be won and held, providing the producers of mechanical handling equipment remain competitive and in the vanguard of technical advance.

The Role of Private Capital in Economic Development

THE main points of a statement by the International Chamber of Commerce are as follows:

1. A big expansion of international private investments is the prerequisite of economic development. Government funds are not suitable for that purpose and are, moreover, unlikely to be sufficient. Private investments represent the best possible combination of capital, technology and management.

2. International capital movements are also capable of playing a very important role in balancing international payments.

3. The expansion of international private investments depends to a great extent on government policy and particularly on the policy of the capital importing countries.

4. While there are undoubtedly fields of development in which government funds have an essential role to play, government financing should not be allowed to encroach upon areas which can best be served by private capital. Countries that fail to take the proper measures to attract and protect private investments cannot expect to receive government funds as a substitute for private capital.

5. Economic development is not merely a matter of carrying into effect a pre-determined programme drawn up by governments or central planning agencies. If it is to be effective, it must largely lean upon the free play of economic forces.

6. Far from fostering economic development, quantitative trade restrictions and exchange control tend to stifle it. The type of development produced under their shelter is lopsided and out of touch with economic realities.

7. It is a dangerous illusion that big overall developments on a healthy basis can take place rapidly. The way of progress depends on the strength of the potential forces to be released, on the inventiveness and enterprise of the people of the countries in process of development as well as on the availability of private capital.

8. It is stultifying to act as though private profit-making were wrong and that therefore the process of economic expansion should be largely left to governments.

9. The purpose of economic development is to raise living standards. It should therefore not be identified with any of the means used to that end, and in particular with industrialisation alone or with the establishment or maintenance of uneconomic industries behind protective walls.

From International Chamber of Commerce, London, March, 1953

In celebration of the centenary of Manchester as a city, the Manchester Guardian produced two splendid supplements, in one of which this article was included.

BY

D. N. CHESTER

Survey of a Century of U.K. Local Government Finance

THE first comprehensive picture of local finance in England and Wales is for 1868, but some statistics go back earlier. This short survey will indicate the main trends in rates and rateable values, in Exchequer aid, and in the changing patterns of local expenditure, and will highlight a few main points. But there is not space to show local variations or to paint other than a very broad picture.

It is convenient to deal with the trend in local rates in five distinct periods: (i) up to 1890; (ii) 1890-1914; (iii) 1914-22; (iv) 1922-39; (v) 1939 to date.

An estimate for 1850 shows total rate expenditure for England and Wales at about £10 millions and the average rate collected at about 3s. in the pound. This was probably a slight underestimate, and the comprehensive figures for 1868 give £16.5 millions and 3s. 3d. By 1890, though rate receipts had risen to almost £28 millions the average rate poundage was still only 3s. 8d. The population was rising steadily and local expenditure was more than keeping pace (rising from about 11s. per head in 1850 to 19s. 6d. per head in 1890). But rateable value was rising even more rapidly than population and almost at the same pace as expenditure. So most local finance committees during this period were in the happy position of being able to spend more money without increasing the rate. There was also no violent upward movement in the general price level.

The period after 1890 is characterised by the growing activities of the newly elected county councils and by the rise of education as a major local service. Though rateable value continued to rise faster than the population, total rate expenditure rose even more rapidly. The trend of expenditure took a sharp upward curve in the early 1890's and rose even more steeply immediately after 1902. Between 1890 and 1905 total rate expenditure doubled (from £28 millions to £56 millions), whereas total rateable value increased by only about one-third. As a result the average rate rose from 3s. 8d. to 6s. in 1905 and was 6s. 9d. in 1914.

Between the Wars

During 1914-18 local finances were stable, expenditure and rateable value rose slightly, and rates were on average about 2d. higher at the end of the war. It was the rapid increase in the general price level between 1918 and 1921 which knocked local finances sideways. The Ministry of Labour cost-of-living index rose from 100 in 1914 to 249 in 1920, to fall to 226 in the following year. Wages and salaries and the cost of all items in local expenditure were affected, and only a very great effort on the part of local authorities prevented rate expenditure from rising

at the same pace, particularly as poor relief also greatly increased.

Between 1918 and 1920 rate expenditure rose from £75 millions to £105 millions (40 per cent), and by 1921-2 had reached £171 millions (or 130 per cent above 1918). This was a reasonable increase when compared with the rise in the general price level. Unfortunately total rateable value barely increased, being less than 1 per cent higher in 1920 than in 1918, and even in 1922 it was only 7 per cent higher in spite of the resumption of revaluation and a certain amount of house-building. As a result the average rate in the pound rose from 6s. 11d. in 1918 to 9s. 7d. in 1920 and 14s. 7d. in 1922. The same thing has been happening since 1945.

The year 1922 was the high-water mark of the inter-war period. Total rate receipts fell sharply during the next three years, rose somewhat in the late 1920's, then fell again, and only reached their 1922 level again in 1937. With the large number of new houses and the building of new property of all kinds rateable value rose substantially, notwithstanding the setback of derating in 1929, and the average rate collected during the period was about 11s. 6d., rising, however, to just over 12s. in 1939. Looking back, this can be seen as a period of calm and solid achievement in local finance, marred only by the difficult position of authorities in the distressed areas.

After Second War

Little change took place in rates and rateable values between 1939 and 1945. The heavy expenditure on A.R.P. was mostly financed by the Exchequer and the curtailment of services and deferment of maintenance offset the general rise in prices. Average rates rose from 12s. 3d. to 12s. 11d. Then followed the marked increase in expenditure partly to catch up with arrears, partly to provide better services and partly to meet rising prices. Rate receipts rose from £206 millions in 1945 to £282 millions by 1849 and to £315 millions by 1952. And again, as after 1918, rateable value failed to keep pace, so that the 12s. 11d. rate of 1945 became 17s. 4d. by 1948 and 18s. 9d. in 1951-2, and is now even higher.

Thus local government has reached a rate of about 20s. in the pound not by a steady rise over a long period but by a series of jumps in which the immediate post 1918 and 1939 periods are the two main sinners. Put simply it can be said that the 3s. of the 1850's and 1860's had become 5s. at the end of the century and 6s. 9d. by 1914. The inflation of 1918-21 left it at 12s. in the inter-war period, and recent inflation has brought it to about 20s.

Looking back it can be seen that since the comparative stability of 1905-14 it is the general rise in prices which has dictated the trend of local rates. Thus the 14s. 7d. in the pound collected in 1921-2 was 116 per cent above the 1914 level, whereas the cost-of-living index stood at 126 per cent above. The rise of 23 per cent (from 12s. 3d. to 15s. 1d.) between 1939 and 1947 can be compared to an increase of 29 per cent in the index, while the rise of 30 per cent to 18s. 9d. in the pound between 1947 and 1952 was less than the 37 per cent increase in the index between those two years.

The rate levied in the pound cannot, however, be treated as a simple price for two reasons. On the one hand the basis on which it is levied—that is, the annual value of

occupied property—may have been affected by increases in the price level and, therefore, the rates payable by a particular ratepayer may be much higher than the increase in the rate in the pound indicates. On the other, the volume and quality of service supplied by the local authority may have changed appreciably.

Shielded Classes

The answer to the first point varies according to class of ratepayer. One class has been almost completely shielded from the increase—the farmer. In 1896, just as rate poundages and county expenditure were beginning to rise markedly, he had the rateable value of his farm reduced by one-half of the value of his agricultural land. In 1923, again at a time of rising rates, he had the benefit of a further reduction to one-quarter of the value of his land, and after 1929 no rates became payable on his agricultural land and buildings.

The industrialist is another who has been shielded from rising rates, though probably not so much so as the farmer. After 1929 he had to pay rates on only one-quarter of the value of his factory, and machinery had ceased to be rated a few years earlier. A little of this gain is likely to have been offset by revaluation, but it is likely that many firms are paying little, if anything, more in rates than in 1914.

A third class, the occupiers of the small working-class houses built prior to 1914, and indeed the great mass of small householders, have probably had the total rates they pay increased by not much more than the extent of the rise in the rate in the pound for their area. As a result of the Rent Restriction Acts, of the absence of a general revaluation of houses for some twenty years, and of the attitude of most assessment authorities, the rateable value of most houses has been little, if at all, increased.

Commercial Property Pays Up

On the other hand, commercial property, shops, offices, hotels, &c., are likely to have had their rateable value considerably increased during the inter-war period and possibly even since 1945. Not protected against rent increases and the rise in prices, and being simpler to revalue than the mass of house property, commercial property has probably made an important contribution to such increase in rateable value as is due purely to revaluation. Some shops, banks, public-houses, are, therefore, likely to have had to bear an increase both in rate poundage and in the rateable value of the premises they occupy. But as there has been no general revaluation even of commercial property since the late 1930's the increase in rates paid on such properties since the war can usually be measured simply by the increase in the poundage.

It should be noticed that in so far as rateable value is an index of capacity to pay it has failed to take account of the big increase in money incomes during the past century, and particularly in recent years. Little of the great increase in the prosperity of agriculture and industry has accrued to the benefit of local revenues. The increase in average earnings has not been reflected in higher rents (owing to the Rent Restriction Acts) and, therefore, not in higher rateable values for the mass of houses.

* * *

Whereas inflation increases earning and profits, and therefore the

total taxable income available to the Chancellor of the Exchequer, it has little or no immediate effect on the basis on which local authorities levy their only tax. So the rate of tax has had to go up, giving the impression in some quarters that local authorities are spendthrifts. *Yet the proportion of the total national income taken by local rates is less now than in 1938 and is very little more than at the end of the nineteenth century.*

Total expenditure (£m.) on main services by local authorities

England & Wales	1913-4	1938-9	1950-1
Education ...	32	100	269
Housing	1	45	107
Highways ...	17	50	63
Police	8	26	54
Individual Health	—	10	36
Refuse Collection	3	9	22
Sewage Disposal	5	13	18
Parks	2	2	15
Assistance (including care of the aged)	12	35	15
Fire	1	3	15
Children... ...	—	—	13
Hospitals (including mental) ...	7	35	0
All other services	12	60	116
	100	393	743

Big Savings on British Railways

British Railways are working better and costing less to run because of savings made possible by unified management and central planning. Helping to cut working expenses by £16 millions a year are such innovations as reducing types of wagons from 480 to 90 and standardising hundreds of parts needed in the workshops.

Other economy measures which are making for higher efficiency are the re-routing of freight trains to avoid congested lines, regardless of old company boundaries, the development of twelve standard locomotives to replace eventually the 400 now in use, and the introduction of a new standard flat-bottom truck truck which is stronger, cheaper and simpler with 16,900 fewer components to the mile.

British Railways—the busiest system in the world—say that although nearly ten million more steam engine-miles were run two years ago, the use of locomotive coal decreased by 285,000 tons compared with 1947.

Thanks to 'streamlining' their organisation British Railways have been able to close 48 district offices, 71 goods depots, 34 marshalling yards and 36 motive power depots and sub-depots. By a concentrated drive on wagon repairs, the number out of service at any time is half what it was in 1947.

On the administrative side, British Railways have cut out 7,300 forms by standardising their documents. So doing, they have been able to reduce the qualities of paper they use from 100 to 17.

From Industrial News (T.U.C.), London, March 13, 1952

Problems of National Insurance Finance

BY ALAN T. PEACOCK
Reader in Public Finance, University of London

IT IS impossible to forecast the trends in social expenditure as a whole. There is, however, one commitment which is for all practical purposes irrevocable: the provision of social security benefits by the National Insurance scheme.

Provision of a subsistence minimum for those in need is fundamental to social policy, but there is no reason why we should have to accept the rigid formula of the national insurance scheme, particularly if there is reason to fear that its financial arrangements may conflict with the broader objectives of Government policy.

Let us look at two problems which suggest that we may indeed have to consider modifications in the system of social security finance.

(1) The first is perhaps a short-run problem. *What are we to do in a situation in which the real value of benefits is likely to fall as the result of inflationary conditions (which can be ascribed, in part at least, to social policy itself)?*

The automatic response is to vary benefits with the cost-of-living index. But the consequence of doing so is similar to that which follows through the tying of wages to the cost-of-living index: that is to say, the plan devised to protect certain classes from inflation is itself inflationary.

Thus social security finance must continue to be raised by regressive taxation; i.e., we offset the inflationary effects by increasing the inequality of incomes; or it must be offset by general budgetary policy, either by reducing expenditure in other directions or increasing taxation.

There is an additional complication. A large part of social security payments is in the form of old age pensions, and old age pensioners as a class are unlikely to save. If therefore their pension income becomes an increasing part of personal incomes, it means that even if we adopted proportional taxation as a method of insurance finance (as has been suggested in Sweden), then any increase in social insurance taxes to finance pensions is likely to have an inflationary effect if all the taxes are distributed as benefits.

The simpler method would be to stop the inflation, but this is not a popular solution of the problem.

(2) *The second problem is the familiar one of the rise in the number of pensioners.* It is now common knowledge that the expected expenditure on pensions, even at the present rates, will double itself in as little as fifteen years.

To what extent this represents a real burden on the community depends obviously on what other commitments in the way of Government expenditure we should have to face. Easing of international trade conditions and of the defence programme over this period would make a tremendous difference, but there seems no reason why we should assume conditions of that sort.

If therefore this expenditure is in fact irrevocable the financial problem is important. Preserving the tri-

From address to British Sociological Association Conference, London, March 28, 1953

partite system would mean a really heavy increase in the insurance contributions—in regressive taxes. The alternative is either to alter the contributory system and make it a proportional one; or to finance the whole scheme from general taxation.

In my opinion the last alternative has some attractions. It could mean a considerable administrative saving both for government and industry. The real problem is to find some method by which benefit could still be given as a right without preserving the contributory system.

Higher Pensionable Age?

On the other hand, should we regard pensions expenditure in the aggregate as sacrosanct? Are we really certain that the employees' contribution, which only provides a little more than one-third of total revenue to the scheme, indicates a moral right to preserve the principle of payment at the age of 65?

The economist has no competence to decide this matter, but can only indicate that it would make a great deal of difference if the pensionable age were altered, especially for women (for at the moment women receive something approaching two-thirds of pensions expenditure, whether in their own right or as wives of pensioners).

Two conclusions emerge, the first of which is being discussed a great deal, and the second of which is not.

(1) The problem of poverty in the years to come is likely to be associated with old age, and the provision of social security support, except to those totally incapacitated, is entirely negative. A more positive approach is to seek methods of increasing the earnings of old persons. Payment of pensions even while the pensioner is still working would be better than nothing at all, for pensioners would then bear some of the burden of finance as taxpayers and would help production.

Overriding Problem

(2) I profoundly disagree with the statement that 'the most urgent problems which confront sociologists are problems of psychological maladjustment rather than material need'. In the circumstances I have described, the overriding problem for sociologists should be that of discussing priorities in the distribution of limited resources. It is comparatively easy to lay down 'standards of service'; but it is more perplexing and urgent to decide how to weight alternative and competing demand for limited resources.

My argument rests upon the assumption that we have to accept the competing claims on our resources represented by defence and overseas investment. It may be that in the long run there will be less stringency. Yet I would maintain that even in the long run we cannot avoid the formulation of the problem as I have presented it, for there appear to be no limits to the demand for better social services, whereas there are very definite limits to the pace of our economic progress.

SWEDEN'S AGRICULTURAL ACHIEVEMENT

Sweden is the only country in Europe that is self-supporting in agricultural produce, although only 10 per cent of her area is arable and not more than 25 per cent of her population is engaged in agricultural work. Whereas in the 1870's three out of four Swedes were employed in agriculture, providing only three-quarters of the country's requirements of farm produce, now only two out of seven Swedes are engaged in producing the 100 per cent needed.

Sweden's tractors now number 90,000 as against 20,000 in 1945. There are 11,000 harvest combines, as against 500 in the latter year. A sum of Kr. 300 million (£20,700,000; $60,000,000) is invested annually in agricultural machinery.

From Swedish Press Bureau, Stockholm, April 11, 1953

Man in the State

BY THE RIGHT HONOURABLE LORD REITH

THERE should be a moral purpose diligently and faithfully and courageously set and served, in the life and doings of a man, and in the life and doings of the State. Yet neither man nor State are caring about things as they used to care.

Whose fault? Is the contagion working up or down? Has the man a bad influence on the State or the State a bad influence on the man?

I suppose there is bound to be a considerable balance of physical good in the Welfare State, but there is menace in it too. I mean the moral effect on the man from whom the State takes the unwilling money, as well as the moral effect on the man to whom in one form or another the State gives it.

There is a moral hurt to both. To the former because he feels he is being penalised for being better equipped mentally or for working harder than his neighbour; and that therefore he is given the burden of his neighbour's maintenance. As to him to whom the State gives, is he not in a position of some danger?

It is said that it is a simple matter of justice that the better-off should support the less well-off, irrespective of the circumstances of the one having more and the other less. But justice does not come into this matter at all. Were we not brought up to believe that it is wrong in moral principle to take without giving, to claim rights and dues without any sort of reciprocal duties by way of service in return?

There are many who are saying: 'I've got all I want: security of employment, and I don't have to work any harder than I'm inclined to; I'm subsidised and taken care of by the State from birth to grave—I and as many children as I like; and politicians flatter me and tell me I'm a wonderful fellow; and so indeed I am'. And if one were to ask if they were not afraid of losing the pride of self-respect and pride of craftsmanship, and the dignity of honest work, they might not understand what one meant.

If the ideal in English government is just administrative efficiency and a balancing of budgets, we are in a poor way indeed. Perhaps we can become administratively efficient, and perhaps we can balance budgets—though we are a long way off both. But even if we succeed we shall still be wretched and miserable and poor and blind and naked.

It was not to achieve administrative efficiency and a balancing of budgets that men have lived and died for England, and yet may die.

From address to the Free Church Federal Council, Manchester, March 18, 1953

QUESTIONS AND ANSWERS

There's a nice story about the business-man who went back to his university where he'd read economics twenty years previously. He looked up his old tutor and as a matter of interest asked to see the current examination paper in his old subject. He could hardly believe his eyes when he read it. 'Why', he said, 'these are the very same questions you asked me twenty years ago.' 'Yes', replied the tutor, 'that's right.' 'But you must be daft. Don't you realise the students will tell each other that the questions are always the same?' 'Yes', said the tutor, 'but that doesn't matter. You see, in economics we change the answers.'

Harold Wincott in The Financial Times, London, March 10, 1953

BACON —

A breeding and fattening pig enterprise of 20 sows will yield the average farmer as much profit as a herd of 20 cows. This is the conclusion reached by the farm economists who kept records of costs of 47 pig enterprises in the eastern counties for the year ended last September. For every £100 of sales the cost averaged £84, the remaining £16 being profit.

Food, amounting to three-quarters of the total costs, is the most important factor. While some farmers were getting their pigs from weaning to bacon weights on 6½ cwt of meal, others were using 8 cwt. Put another way, some were using 4lb. of meal to get 1lb. of liveweight gain and others were using 5lb. Broadly speaking, if meal costs 33s. a cwt., a decrease of one-tenth of a pound of meal used for each pound of liveweight gain will increase the profit by 5s. a baconer.

From Farmers' Bulletin No. 14, *School of Agriculture, Cambridge, and The Times, London, April* 6, 1953

— AND EGGS

Before the war about 70 per cent of the eggs consumed in the U.K. were home-produced. In 1951 the percentage was 85.9; in 1952 it was 84.8. No doubt we could buy more eggs from abroad, but the majority will have to be produced at home.

This raises the question of the producer's costs. The expenditure per bird of the specialist producer—who provides 15-20 per cent of the eggs produced in the country — goes something like this:—

	s. d.		s. d.
Before laying:			
Chick	3 6	to	4 0
Food	12 0	to	13 0
Overheads ...			2 0
Labour			2 0
1 year of laying:			
Food			35 0
Labour	3 0	to	5 0
Overheads ...	2 0	to	3 0
Total about			61 0

Assuming 180 eggs are laid, revenue would be around 60s. and, say, 11s. would be obtained for the bird when the year was up.

Thus, the specialist producer can make a profit of about 10s. a bird. The general producer, whose costings will differ in some details (his feeding and labour costs will be less, but he will get fewer eggs) can only keep about 25 birds to the acre, and his production can only be economic if it is on a restricted scale owing to the fact that the ordinary farm labour is used and that the birds are largely fed on food produced on the farm itself.

From 'Eggs off the Ration', Financial Times, London, March 26, 1953

*DIGEST BOOK REVIEW**

'Taxation and Incentive'

BY LADY RHYS-WILLIAMS, D.B.E.

'IF . . . unemployment pay is raised to a level at which real want is banished . . . the advantages of working for wages very largely disappear. . . . the Unemployment Assistance Board repeatedly drew attention to the anomaly . . . that for a man with three or four children it was (normally) profitable to remain idle. . . .'

Lady Rhys-Williams is quoting from her original (1942) pamphlet. Merging, with marked administrative economies, the systems of Income Tax and of Social Security, she wants a sea-change in this lamentable state of affairs. We may approve or not; but the book is essential reading for those who realise that no community perpetuating disincentives of this order deserves to survive: for others reading should be compulsory. Well written and of wide range, it is full of shrewd comment and forthright judgments; on luck and inequalities of opportunity, on education and the economics of health, on full employment and the trade unions, on wages for man—and wife.

The disincentive of taxation, progressive direct taxation, is the book's main target; and if the Rhys-Williams scheme does not wipe this out at all levels it at least removes all income-tax 'steps' for the great majority of wage-earners.

Fourth Dimension in Taxation

Our author introduces a 'fourth dimension' into taxation. She would give everybody a weekly cash grant, free and for nothing; at the same time abolishing the National Insurance 'poll tax'. Only so can she bring income tax (with no tax-relief for children, etc.) down to the first £ of income and thus eliminate the first great step-up from nil to the lowest rate. And the lowest rate is the only rate for all those getting no more than £600 a year.

Originally Lady Rhys-Williams planned to give every work-willing citizen, hale or sick, employed or not, a cash grant at full insurance rates (then 20s. for a man) so that the fruits of work and thrift would be wholly additional. But the scheme, attracting wide interest, not unnaturally attracted criticism and amendments, together with revised versions (by the author of P.A.Y.E., by the Liberal Party, etc.); from all of which our author has tried to profit.

Revised Figures

Now the original 20s. subsistence grant has become part-subsistence at 10s., 9s., 8s.—even 7s. 6d., per week for each adult when not entitled to National Insurance subsistence. All children get grants throughout. Everybody's income tax has likewise fallen; from an original 7s. 6d. in every £ to 4s. 7d., 4s. 7d., 4s. (6s., 6s., 5s. 6d., 5s., if unearned).

None of the schemes is offered on rigid 'take-it-or-leave-it' lines; but rather as an illustration (on 1950/51 figures) of how R-W principles work out. The 7s. 6d. scheme, unblest but

* *William Hodge, Glasgow & London, 15s.*

'simplest and most immediately practical', debars some 2¼ million from pension as against the R-W schemes proper, which abolish card-stamping and personal accounts, and (with some temporary damage to the 'insurance' concept) extend National Insurance benefit forthwith to the unemployed, sick and aged.

The 9s. scheme, indeed, which the author submitted (1951) to the Royal Commission on Taxation, increases benefit to 35s., the 9s. being paid in addition to the National Insurance 26s. This more generous scheme has the author's special blessing as giving really full subsistence. But not without misgiving: complete 'freedom from want' abandons one incentive completely. Benefits would rise with the cost-of-living to keep National Assistance out of the picture: otherwise, rising above inflation-eroded National Insurance benefit, cost-of-living National Assistance, plus the Means Test, make folly of saving and thrift. (Even so—if wages rise too, the inflation spiral turns the more.)

Scheme of Book

In two parts, the book has three appendices—one noted below; one a 1951/52 'stop-press' version of the 7s. 6d. scheme; and one an ingenious scheme to make us all investors to the tune of 6d. in the £ (out of our basic tax of 4s.), giving us each a lump sum on retirement and providing the State with a yearly £200m. of *risk* capital.

Part I opens with a discussion of incentives—*esprit de corps* as well as fears and hope of gain. Welcoming 'freedom from want' which notably reduces fear our author is the more concerned that the hope of gain shall play its full part, undiminished by foolish tax or unwise grant. Sketching developing ideas of taxation from feudalism to 'fair shares' she sees no reason why a sound principle should stop at our shores—why it should stop indeed until our wage-earners are sharing, not only with richer neighbours but with India's teeming millions—and China's. Which logical extension of the field of egalitarian redistribution reminds us that to enjoy 'freedom from want' a population must be not only work-willing but of due size.

Dollar Gap

Discussions of how to tax extend to how much to tax, to the budget and the national income, and so to international trade and the dollar gap—'The fundamental unbalance . . . which has resulted from the American Tariffs'. The non-dollar countries, developing vigorously their own multilateral trade, must take concerted action to balance trade with America—if not at the highest level than at the highest level that American policy permits.

On American lending she is over-indulgent. 'Why should we expect the Americans to . . . pour out their wealth. . .?' Why, indeed?—If not that we have the right to expect any country to keep in balance, by loan *or otherwise*; even in the absence of the gold standard and the flexible exchange, either of which automatically ensures this elementary condition of international trade.

Consideration of the proper level of taxation leads to the idea of segregating welfare finance in one 'Giant Insurance'—'a comprehensive insurance system covering not merely those forms of social benefit . . . thought necessary in 1911, but also all . . . other benefits and services . . . since . . . added'.

Down to Details

Part II gives details. While the 4s. 7d. (or 4s.) tax on all income, plus the employers' £200m., covers the Giant Insurance, including food subsidies and education, the proceeds of surtax and a supplementary tax on incomes over £600 (3s., 3s., 3s. 6d., 3s. 9d. earned; 3s. 3s., 3s. 6d., 4s. unearned) cover the present yield (of taxes on income) for other purposes. Lady Rhys-Williams would combine surtax and the over-£600 tax, a reform which would, *inter alia*, facilitate tax-relief for children at surtax levels. This is the 'exception that proves the rule'—the general R-W rule that replaces negative tax-relief by the positive grant and is designed, as is the R-W scheme in general, to abolish all unnecessary 'paperasserie'. Numerous examples, generally favourable, show the schemes' effect in individual cases. Some lose; but not much.

Principle in Taxation

While adopting the sound general maxim 'What works is just', our author is anxious to establish particular taxation principles. She holds that every citizen should normally enjoy all he earns and saves subject only to non-progressive taxation for Giant Insurance (and general expenses) and with progressive taxation confined to defence and other 'emergencies'. Outside such insurance, taxation of Peter to pay Paul is unjustifiable and immoral—it is 'theft'. Percentage payments for flat benefits is scarcely 'insurance'; but if the wage-earner, turning resolutely from the bottomless purse view of the 'hand-out', accepts Giant Insurance as reasonable and just, convinced that to get more out he must himself put more in, then we have found an effective curb on the present no-limit tendency to redistribute income. Although the balance-sheets of Giant Insurance ignore indirect taxes (roughly equal to taxes on income) Lady Rhys-Williams would put beer and tobacco duties into the account.

A mathematical appendix by 'W.M.D.' finds virtue in indirect taxation — of essentials! — taxation which would be markedly facilitated by the R-W 'fourth dimension'. The R-W scheme has another important, if unclaimed, advantage. Although paying no undue deference to Keynes, Lady Rhys-Williams has forged a readily-adaptable instrument of Keynesian spending-control; for use of course with due regard to the outside world.

Retreat from Simplicity

Simplicity was the keynote of the original (20s.) scheme; the same benefits to rich and poor, one only rate of income tax, and the abolition of poll tax and personal accounting. Simplicity has yielded ground but much remains. The author values simplicity, not merely as reducing clerking, inside government service and out, but because she believes the easy-to-grasp tax is the honestly-paid tax.

Yet incentive is the great aim and, in present circumstances at least, the retreat from maximum simplicity is amply warranted.

P.E.B.

New Books Reviewed

British Public Utilities, by J. F. Sleeman, Sir Isaac Pitman & Sons, Ltd., London. 20s.

Primarily this is a textbook, written by a Lecturer in Social Economics of Glasgow University, who evidently has written the book he needs for his own job and therefore the book that is needed by his opposite numbers in other universities and schools. It is a thoroughly good job of work, comprehensive, up to date, well planned. Although the book is properly free from polemics there is nothing anaemic about it. Its chapters on the economic characteristics of public utilities, characteristics of price policy, and the attitude of the State to British utilities, for instance, present the issues clearly and face them squarely. Those chapters, with an introductory chapter of definitions, comprise Part I of the book. Part II surveys the individual services. There is a well classified bibliography and a good index.

Mortgage Banking, by Robert H. Pease and Homer V. Cherrington, McGraw-Hill Book Company, Inc., New York and London. 64s.

This treatise is by eminent American authors, is concerned with American Law and practice, and is addressed to the American public. Each of the nineteen chapters is by a different author—sometimes by two authors—every one of them men who are practically engaged in the field of real estate finance. Its value to specialists outside America is evident, but there is much useful information for the non-specialist. As an indication we cite a single table put forth as a 'Guide for Estimating Physical Deterioration in an Office Building'. From it we discover that the total lives of the respective parts are: Excavations, indefinite; Foundations, 300 years; Exterior walls, 300 years; Wiring, 75 years; Piping, 60 years; Radiation, 75 years; Roofing, 20 years; Elevators, 60 years.

Le Franc, Histoire d'une monnaie des origines à nos jours, by René Sédillot. Published by Recueil Sirey, Paris.

M. Sédillot has rendered a service to the student of French economic affairs by bringing the book, which he first published in 1938, up to date as far as 1952. In his preface to the new edition he says: 'Numerous authors have done me the honour of frequently quoting my work; others have even more frequently stolen from it. It does not matter: I thank them all.'

The book is indeed worth quoting. It is well documented and eminently readable—though some readers may find parts of it a little too easy-going for a work of academic standing. But it lends convincing support to the author's central thesis that 'monetary and political factors never cease to react on one another. Very often monetary causes have precipitated or retarded political issues. The boldness of John Law discredited the monarchy and paved the way for the Republic; the mischief done by the assignats discredited the Republic and hastened the advent of Napoleon's dictatorship.'

Die Konjunkturschwankungen, by Professor Dr Walter Adolf Johr. Published by the Handels-Hochschule St Gallen, Switzerland, and J. C. B. Mohr (Paul Siebeck), Tübingen, Germany. 36DM.

The growing volume of literature on the theory of the trade cycle bears witness to the importance of this topic not only to the academic economist, but also to the politician and civil servant. This contribution comes from the Professor of Economics at the High School of Commerce, St Gallen.

There are almost as many trade cycle theories as there are writers on the subject. Over-investment, under-consumption, monetary and non-monetary, endogenous and exogenous causes, the historical and the empirical approach—even the influence of sunspots is pressed into service in an effort to dissect the trade cycle. In this comprehensive work, the author makes use of historical experience as well as theoretical analysis. His method consists of starting with a simplified theoretical model, and gradually relaxing the rigid initial assumptions, until an answer emerges which bears a resemblance to actual conditions.

The author has divided the contributory causes into two classes: Those which are basic and more or less permanent form the 'hard core'. The second group consists of temporary phenomena, like technical changes and monetary policy. Finally, the author has paid due attention to the psychological element, and thus indicates the important place of the sociologist in the study of the trade cycle.

FOR REFERENCE

Items in this Section are kept for one year at the offices of Economic Digest. They are available to members of the Economic Research Council and readers by arrangement. Please write, citing reference number of items given in brackets, to 18 *South Street, London, W.*1*, or telephone GROsvenor* 4581.

Italy: *The Sliding Scale System in Italy,* by Ruggero Spesso. This is a detailed study of the features and development of the sliding scale system of wages in Italy, its effects on the real income of labour and on the country's monetary situation. It is shown that from 1943 to 1947, the rise in money wages steadily lagged behind the rise in the cost-of-living index; and that the 'Einaudi policy' of wage stabilisation temporarily reversed that trend.—Banca Nazionale del Lavoro Quarterly Review, Rome, December, 1952. (298)

Belgium: *Prospects and Difficulties in Belgian Foreign Trade,* by F. Persoons. Belgium's post-war liberal and high-wage policy has produced a remarkable recovery since the liberation, but her external trade is still only a little higher in real terms than that of 1929. Here the significant changes are recorded and prospects for the future are assessed. (299)

Canadian Prospects: *Business Review and Outlook.* In 1952, Canada reversed the unfavourable balance of trade of the previous year, achieved a month-by-month increase in labour income, carried out record capital investment programmes, and increased the gross national product by 7 per cent. This mighty and broadly-based development gives substance to the belief that 'it would require a major economic catastrophe, probably originating abroad, to cause a significant drop in employment and national income in Canada'.—Commercial Letter. The Canadian Bank of Commerce, Toronto, February, 1953. (300)

Finland: Three publications dealing with Finland's economic position: (i) *Kansallis-Osake-Pankki Economic Review,* 1953, I; (ii) *Bank of Finland Monthly Bulletin,* January-February, 1953; (iii) *Unitas Quarterly Review Illustrating Economic Conditions in Finland,* February, 1953. (301)

India: This special Budget issue of the *Eastern Economist* includes a survey of the Indian economy, an analysis of its prospects, and facts and figures on the Budget.—March 6, 1953. (302)

Japan: *Department Store Business in Japan,* by Professor Giichi Fukami, Annals of Hitotsubashi Academy, Tokyo, October 1952. One of the interesting facts that emerge from this comprehensive study is that three of Japan's modern department stores were founded as businesses (although not of course as department stores) in the seventeenth century, two in the eighteenth century, and three others are well over a hundred years old. (303)

Scotland: *Survey of Economic Conditions in Scotland in* 1952, Clydesdale and North of Scotland Bank Ltd., Glasgow, March, 1953. The introduction to this admirable survey is addressed to Scotland's economic future—a subject of importance to many more people than the 'covenanters'. Each industry is then studied, and there are separate chapters on farming, forestry and fishing. (304)

Yugoslavia: *Yugoslavia's Expanding Mining Industry,* by A. G. Thomson. Yugoslavia's dependence on agriculture has tended to disguise the fact that she is Western Europe's largest producer of copper, lead, silver, antimony and chrome ores. Foreign assistance in the form of technical advice, an allocation from the Mutual Security Agency of $102,500,000 between April, 1948, and October, 1952, and a World Bank non-dollar loan valued at $30 million, is making possible a rapid development of the country's resources.—The Mining Journal, London, March 20, 1953. (305)

Schuman Plan: *Establishment of a Common Market in Coal and Steel,* by Sir Cecil Weir. The author is chairman of the U.K. delegation, and therefore well able to present a clear picture of the European Coal and Steel Community, and to describe Britain's relations with it. See also Reference Item number 281 in the March issue of E.D.—The Times Review of Industry, London, April, 1953. (306)

Commodity Prices (i): *The Trend of Prices.* The downward trend of commodity prices has persisted for so long—since early 1952—that in this article it is regarded as something more than a temporary phenomenon. The effect of this trend on national price levels, and in particular its

beneficial effects on the Canadian economy, is discussed.—Monthly Review, The Bank of Nova Scotia, Toronto, February, 1953. (308)

Commodity Prices (ii): *Wholesale Prices —The External Component.* This article discusses the impact of international price fluctuations on the general level of Indian wholesale prices.—The Eastern Economist, New Delhi, March 20, 1953. (309)

Olive Oil: *Olive Oil and the World Fat Market,* by E. L. Burtis and A. G. Leeks. Only one per cent of the world's production of olive oil, amounting to about 935,000 tons in 1952-3, comes from countries outside the Mediterranean area, and 90 per cent is accounted for by seven countries: Spain, Italy, Greece, French North Africa, and Portugal. These facts emerge from this study of world trade in olive and other 'soft' oils.—Monthly Bulletin of Agricultural Economics and Statistics, Rome, February, 1953. (310)

Sugar Cane: *The Cultivation of Sugar Cane in Egypt.* Large-scale production of sugar cane in Egypt has been developed over the last fifty years. Production now stands at nearly 200,000 tons per annum, as compared with a world output of 35 million tons. In the last thirty years, sugar cane acreage in Egypt has increased by 60 per cent, while production shows a lower rate of increase amounting to 45 per cent for the same period. This article provides statistics up to 1951, and discusses some of the technical aspects of sugar cane production in Egypt.—Journal of the Anglo-Egyptian Chamber of Commerce, London and Alexandria, March, 1953. (311)

Current Trade Agreements: This valuable supplement to the Trade News Bulletin provides an index to international trade agreements, compiled from official sources.—International Trade News Bulletin, GATT, Geneva, February, 1953. (312)

Government Borrowing: *Some Aspects of Recent Government Borrowings in Foreign Countries,* by N. K. Ambegaokar. This is a useful survey of recent loan operations in foreign countries, with particular reference to the types of securities offered. The departure from the cheap money policy in many countries has brought about important changes in the pattern of Government borrowing. Thus, in the U.S. and the U.K., official support for gilt-edged securities has been reduced, and greater emphasis has been placed on the fact that loans should come from genuine savings rather than from bank credits.—Reserve Bank of India Bulletin, Bombay, February, 1953. (313)

Local Government: *The Effect of the Local Government Act,* 1948, *and Other Recent Legislation on the Finances of Local Authorities,* Inset to Local Government Finance, London, March. 1953. Conclusions of a first-class working party set up for the purposes indicated by the title. (314)

Special Areas: *Special Financial Facilities for Industry in the Depressed Areas, with particular reference to the Experience of South Wales,* by R. O. Roberts. The recent depression of the textile industry in Lancashire has revived interest in methods for combating regional slumps. In this paper the author gives an account of official and unofficial measures taken to revive industrial activity in South Wales during the great depression of the 1930's, by providing capital for existing and new industrial undertakings. While he considers that the financial part of the Special Areas policy was begun rather late, he nevertheless comes to the conclusion that it worked quite effectively.—The Manchester School of Economic and Social Studies, January, 1953. (315)

Welfare State: *Health Service Outlay.* The British Health Service absorbs about 3.3 per cent of the national income, and accounts for about 3.6 per cent of the nation's current spending. The estimated gross outlay on the service for 1952-3 is £492 million, as compared with £442 million in 1950-1. These and other important data are contained in two articles in which the future of the service is discussed in terms of the country's ability to pay for it.—The Times, London, February 26 and 27, 1953. (316)

U.S. Finance: *The Monetary System of the United States.* This is the first of a series of articles dealing with the operation of credit and monetary policy in the United States. It serves as an introduction to later articles considering the purposes, instruments and effects of credit and monetary policy by providing a brief description of the working of the monetary system of the U.S. The source of this article makes it of particular interest to the student of the Monetary System of the United States.—Federal Reserve Bulletin, Washington, February, 1953. (317)

Published in Great Britain by The Economic Research Council, 18 South St, London, W.1, and printed by The Ditchling Press, Ditchling, Sussex. B821